Original Application

Meadowbrook Health & Rehabilitation Replacement Facility

CN1807-031

Christopher C. Puri

Counsel cpuri@bradley.com 615.252.4643 direct





July 13, 2018

Ms. Melanie M. Hill Tennessee Health Services & Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, Tennessee 37243

> Meadowbrook Health and Rehabilitation Replacement Facility Re:

Dear Melanie:

Enclosed you will find an original, plus two copies, of a CON Application by Meadowbrook Health and Rehabilitation Center, Inc. for the replacement of its currently licensed and operating eighty-three (83) bed nursing home located in Pulaski, Tennessee (Giles County). This facility was the subject of a determination request at the April 25, 2018 meeting, so the nature of the facility's request and reasons for needing replacement have already been discussed before the agency.

Pursuant to Tenn. R. & Regs. §0720-10-.04, we request that you give consideration to the placing this application on the "Consent Calendar." The facility is not requesting any additional beds, and the replacement facility will be constructed on the closest adjacent parcel to the existing location. As such there is no measurable impact on the service area and/or other facilities from this application. The application is not opposed by any party, and as demonstrated in the application, the project clearly meets the need, economic feasibility, orderly development, and quality criteria to be approved. We would ask that you make the determination that appears to meet the established criteria for granting a certificate of need and place the application on the upcoming Consent Calendar.

Should you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

Bradley Arant Boult Cummings LLP

Christopher C. Puri

CCP/ced Enclosure



State of Tennessee Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION SECTION A: APPLICANT PROFILE

1.	Name of Facility, Agency, or Institution					
	Meadowbrook Health and Rehabilitation Ce	nter, Inc.				
	Name					
	1245 East College Street		Gile	!S		
	Street or Route			County		
	Pulaski	TN		38478		
	City	State		Zip Code		
	Website address:					

NOTE: Section A is intended to give the applicant an opportunity to describe the project. Section B addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on 8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;
- 2) Ownership structure;
- 3) Service area;
- 4) Existing similar service providers;
- 5) Project cost;
- Funding;
- 7) Financial Feasibility including when the proposal will realize a positive financial margin; and
- 8) Staffing.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

- 1) Need;
- Economic Feasibility;
- 3) Appropriate Quality Standards; and
- 4) Orderly Development to adequate and effective health care.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

		ner of the Facility. Agency eadowbrook Health and Re			Inc.	(731) 847-6343	
	Nam 197	e 1 Tennessee Avenue N				Phone Number	
		et or Route sons			TN	County 38363-5094	
	City			Sta	ate	Zip Code	
В.	Typ	e of Ownership of Control	(Check One)				
	А. В.	Sole Proprietorship Partnership		F.	Government Political Subd	(State of TN orivision)	
	C.	Limited Partnership		G. H.	Joint Venture Limited Liabilit		
	D. E.	Corporation (For Profit) Corporation (Not-for-	XXX	I.	Other (Specif		
		Profit)					
Please State Structure entitle	Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at https://tnbear.tn.gov/ECommerce/FilingSearch.aspx . Attachment Section A-4A. Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest. 4. Name of Management/Operating Entity (If Applicable)						
	Tenn	essee Health Management,	Inc.				
		1 Tennessee Avenue N				Phone Number	
	Pars	et or Route sons			TN	County 38363-5094	
	City Web:	site address: <u>www.thmgt.cor</u>	n	Sta		Zip Code	
a dr to b meti	aft ma e prov hodolo	anagement agreement that a vided, the anticipated term o	at least includes f the agreemen ies with existing	s the it, an g mai	anticipated sc d the anticipate	agreement, attach a copy of ope of management services and management fee payment ements, attach a copy of the	

6A.	Legal Interest in the Site of the Institution (Check One)						
	A.	Ownership	XXX	D.	Option to Lease		
	B.	Option to Purchase		E.	Other (Specify)		
	C.	Lease of Years					

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.

- 6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. <u>DO NOT SUBMIT BLUEPRINTS</u>. Simple line drawings should be submitted and need not be drawn to scale.
 - 1) Plot Plan must include:
 - a. Size of site (in acres);
 - b. Location of structure on the site;
 - Location of the proposed construction/renovation; and
 - d. Names of streets, roads or highway that cross or border the site.
 - 2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 ½ by 11 sheet of paper or as many as necessary to illustrate the floor plan.
 - 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

7.	Type of Institution (Check as appropriatemore than one response may apply)					
	A. B. C. D. E. F. G.	Hospital (Specify) Ambulatory Surgical Treatmeter (ASTC), Multi-Special ASTC, Single Specialty Home Health Agency Hospice Mental Health Hospital Intellectual Disability Institutional Habilitation Facili		H. I. J. K. L.	Nursing Home Outpatient Diagnostic Center Rehabilitation Facility Residential Hospice Nonresidential Substitution- Based Treatment Center for Opiate Addiction Other (Specify)	
Che	ck ap	ppropriate lines(s).				
8.	Pur	<u>pose of Review (</u> Check appr	opriate lines((s) – n	nore than one response may apply)
	A. B. C. D. E.	New Institution Modifying an ASTC with limitation still required per Co Addition of MRI Unit Pediatric MRI Initiation of Health Care Service as defined in T.C.A. §68-11-1607(4) (Specify)		F. G. H. I.	Change in Bed Complement [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] Satellite Emergency Dept. Change of Location Other (Specify)	
9.	Med	licaid/TennCare. Medicare P	articipation		92	
	MC	O Contracts [Check all that app	lv1			
				munitv	Plan XX BlueCare XX TennCare	Select
			-0296			
		· ·		acility i	Dually Certified	
	lf a				care and/or Medicaid/TennCare?	
	Med	licare Yes No N/A	Medicaid/Te	nnCai	re Yes No N/A	

10.	Bed	Complement Data
10.	Dea	Complement Date

A. Please indicate current and proposed distribution and certification of facility beds.

		Current Licensed	Beds Staffed	Beds Proposed	*Beds Approved	**Beds Exempted	TOTAL Beds at Completion
1)	Medical						
2)	Surgical		0				
3)	ICU/CCU						
4)	Obstetrical				8		
5)	NICU			-		· · · · · · · · · · · · · · · · · · ·	2 Z
6)	Pediatric				} =====	· · · · · · · · ·	,
7)	Adult Psychiatric	83	83	83	0	0	83
8)	Geriatric Psychiatric	-					
9)	Child/Adolescent Psychiatric			•	-	-	•
10)	Rehabilitation					3	-
11)	Adult Chemical Dependency					-	
12)	Child/Adolescent Chemical Dependency	:	7 	9 2		-	-
13)	Long-Term Care Hospital		-			-	•
14)	Swing Beds	· · · · · · · · · · · · · · · · · · ·		-		-	
15)	Nursing Home – SNF (Medicare only)	3	÷			-	
16)	Nursing Home NF (Medicaid only)	,	-	-		***	-
17)	Nursing Home – SNF/NF (dually certified Medicare/Medicaid)			-	-	-	F1
18)	Nursing Home – Licensed (non-certified)	-	-	,			
19)	ICF/IID		(-	-		*****	******
20)	Residential Hospice	-			-	•	
то	TAL	83	83	83	0	0	83
	eds approved but not yet in service	**Beds exem	pted under 10	% per 3 year p	rovision		

- B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. Attachment Section A-10.
- C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.

CON Number(s)	CON Expiration Date	Total Licensed Beds Approved
	3 9	
· · · · · · · · · · · · · · · · · · ·	<u> </u>	
<u> </u>		

11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: NOT APPLICABLE

	Existing	Parent Office	Proposed		Existing		Parent	Proposed
	Licensed County	County	Licensed County	1 1 1 1 1	Licensed County		Office County	Licensed County
Anderson	County	County		Lauderdale				
Bedford				Lawrence				
Benton				Lewis	+ -			
Bledsoe				Lincoln				
Blount								
				Loudon				
Bradley				McMinn				
Campbell				McNairy				
Cannon				Macon				
Carroll				Madison				
Carter				Marion				
Cheatham				Marshall				
Chester				Maury				
Claiborne				Meigs				
Clay				Monroe				
Cocke				Montgomery				
Coffee				Moore				
Crockett				Morgan				
Cumberland				Obion				
Davidson				Overton				
Decatur				Perry				
DeKalb				Pickett				
Dickson				Polk				
Dyer				Putnam				
Fayette				Rhea				
Fentress				Roane				
Franklin				Robertson		· ·		
Gibson				Rutherford				
Giles				Scott				
Grainger				Sequatchie				
Greene				Sevier				
Grundy				Shelby				
Hamblen				Smith				
Hamilton				Stewart				
Hancock				Sullivan				
Hardeman				Sumner				
Hardin				Tipton				
Hawkins				Trousdale				
Haywood				Unicoi				
Henderson				Union				
Henry				Van Buren				
Hickman				Warren				
Houston				Washington				
Humphreys				Wayne				
Jackson				Weakley				
Jefferson				White				
Johnson				Williamson				
Knox				Wilson				
Lake					W 7 17 7 1			San Ville

12. Square Footage and Cost Per Square Footage Chart

			Proposed		l Final Squa	re Footage
Existing Location	Existing SF	Temporary Location	Final Location	Renovated	New	Total
			8,600		\$ 219.34	\$1,886,359
			11,045		\$ 219.34	\$2,422,655
			11,045		\$ 219.34	\$2,422,655
			3,660		\$ 219.34	\$802,799
			1,690		\$ 219.34	\$370,691
			3,790		\$ 219.34	\$831,314
			1,870		\$ 219.34	\$410,173
			2,290			\$502,298
			1,500		\$ 219.34	\$329,016
			2,380		\$ 219.34	\$522,039
			47,870		\$219.34	\$10,500,000
				î		
			47,870		\$219.34	\$10,500,000
			0.300			\$10,500,000
						\$219.34
Square Foot					□ Below 1 st Quartile □ Betwee	☐ Below 1 st Quartile ☐ Between 1 st and 2 nd
please re	efer to the	Applicant's To		n 1 st and 2 nd Quartile	n 1 st and 2 nd · Quartile	Quartile Between 2 nd and 3 rd Quartile XAbove
	Existing Location	Existing Location SF	Existing Location Existing SF Temporary Location Temporary Location	Existing Location Existing SF Temporary Location 8,600 11,045 11,045 11,045 1,690 3,790 1,870 2,290 1,500 2,380 47,870 47,870 47,870 47,870 1,870 1,870 1,870 1,870 1,870 1,500	Existing Existing SF Temporary Location Renovated	Existing Existing SF Coation Proposed Final Location Renovated New

^{*} The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

^{**} Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator

- 1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
- 2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:
- A. Complete the chart below for acquired equipment. NOT APPLICABLE

Linear Accelerator	MevTypes: srs imrt igrt other By Purchase Total Cost*: By Lease Expected Useful Life (yrs) Purchase If not new, how old?
MRI	Tesla:Magnet:
PET	PET only PET/CT PET/MRI By Purchase Total Cost*: By Lease Expected Useful Life (yrs) New Refurbished If not new, how old? (yrs)

- B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.
- C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.
- D. Schedule of Operations:

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)		
Mobile Locations (Applicant)		
(Name of Other Location)		
(Name of Other Location)		

- E. Identify the clinical applications to be provided that apply to the project.
- F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

^{*} As defined by Agency Rule 0720-9-.01(13)

Attachment Section A-3.

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- Description Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;
- 2) Ownership structure;
- 3) Service area;
- 4) Existing similar service providers;
- 5) Project cost;
- 6) Funding;
- 7) Financial Feasibility including when the proposal will realize a positive financial margin; and
- 8) Staffing.

RESPONSE: <u>SECTION A: EXECUTIVE SUMMARY</u>

Meadowbrook requests a CON for a replacement facility on an adjacent parcel to the existing facility with no increase in licensed beds and no change or impact on the service area.

1) **Description** – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

Meadowbrook Health and Rehabilitation Center, Inc., a Tennessee corporation doing business as Meadowbrook Health and Rehabilitation Center, which is a subsidiary of American Health Companies, Inc. (a Tennessee corporation), and to be managed by Tennessee Health Management, Inc. (a Tennessee corporation), intends to file an application for a Certificate of Need for the relocation and construction of a replacement facility. The current 83 bed facility is located at 1245 East College Street, Pulaski, Tennessee 38478. The proposed relocation and new 83 bed facility will be located on an unaddressed parcel on the north side of East College Street, which is the parcel immediately adjacent to the northeast portion of the existing parcel on which the current facility is located (the existing parcel is on the south side of East College Street). The proposed facility will be located on that 8.45 acre parcel, which is identified as Parcel ID 097-057.01 in the property records of Giles County. The estimated project cost is \$13,894,436.25.

The current facility holds license #92 from the Tennessee Department of Health and will continue its current licensure as a licensed nursing home once the replacement facility is completed. The facility will also continue its certification for Medicare and Medicaid/TennCare. No new services are being initiated and no additional beds are requested. Meadowbrook Health and Rehabilitation, Inc. (a proposed mental health hospital) is filing this application to establish to establish a mental health hospital to serve adult psychiatric patients between the

HF-0004 Revised 12/2016 – All forms prior to this time are obsolete.

ages of 18 and 64. The project will seek licensure by the Tennessee Department of Mental Health and Substance Abuse Services as a 48-bed mental health hospital. The project does not initiate or discontinue any other health service and it will not affect any other facility's licensed bed complements. There are no outstanding but unimplemented certificates of need held by the applicant.

The proposed facility will be located at the southwest corner of the intersection of Chesapeake Lane and Professional Park Drive, adjacent to the existing building which houses Behavioral Healthcare Center at Clarksville at 930 Professional Park Drive, Clarksville, TN 37040 in Montgomery County. The project will be located on a portion of a 3.15 acre parcel identified at as Parcel ID 040G A 002.00 000 in the property records of Montgomery County.

2) Ownership structure;

Meadowbrook Health and Rehabilitation Center, Inc. is a Tennessee corporation and is wholly owned by American Health Centers, Inc., (AHC) a Tennessee based corporation. An organization chart of the Applicant's current ownership is in Attachment Section A-4A. The Facility currently is managed under a management agreement with Tennessee Health Management, Inc. (THM), which is a Tennessee corporation. THM will continue to manage the facility at the new location. THM currently manages thirty skilled nursing facilities (29 in Tennessee, and one in Alabama) as well as various geropsychiatric hospitals located in Memphis, Martin, and Clarksville (Tennessee). THM has successfully operated skilled nursing facilities for nearly thirty years.

3) Service area;

The primary service area is Giles County where the Facility is located. Based on its 2016 Joint Annual Report, two-thirds of the facility residents (127 of 190 patients) are from Giles County. and a majority of the remaining residents resided within 30 minutes travel time of the Facility.

4) Existing similar service providers;

There are three existing skilled nursing facilities in Giles County. They are Ardmore Health & Rehab Center, NHC Pulaski, and the applicant, Meadowbrook. Because the proposed project is a replacement facility at the closest parcel to the existing operating nursing home, and is across the street, the replacement of the facility is essentially not a relocation. Additionally, there are no new beds requested. Since the service area and bed count remain exactly the same. Meadowbrook believes there is no impact of this project on existing providers.

5) **Project cost and Funding**

The estimated project cost is \$13,894,436.25. The estimated project construction costs and cost per square foot are above the third quartile, but consistent with HSDA averages for previously approved nursing home projects. The full project cost will be funded by cash reserves available to the Applicant.

6) Financial Feasibility including when the proposal will realize a positive financial margin; and

The replacement facility is necessary because the existing facility is at its useful life and has various physical plant issues that affect its operation. The replacement facility has been well planned by the applicant. Based on the conservative projections in the Projected Data Chart. the project will operate with a positive financial margin from its first year of operation onward (2020). The project will show a net income of \$ \$319,465.00 in the second year, and \$ \$628,556.00 of free cash flow.

7) Staffing.

Just like the existing building, the new facility building will be organized and staffed to meet the needs of all patients with highly qualified staff needed to take care of any residents with complex conditions and rehabilitation needs. Because there is no increase in beds, and because there staffing needs of the new facility building will largely mirror the existing operation, the Applicant believes that all staffing needs will be met with existing staff who will move with the opening of the building. As expected patient days increase, the Applicant anticipates that any need to recruit few additional employees will be met by its experience and resources to provide ongoing recruitment of staff.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

- 1) Need;
- 2) Economic Feasibility;
- 3) Appropriate Quality Standards; and
- 4) Orderly Development to adequate and effective health care.

RESPONSE: SECTION B: RATIONALE FOR APPROVAL

The proposed Meadowbrook replacement facility project meets all applicable criteria for the approval of the requested certificate of need. Taking each criteria above in order, the Applicant responds as follows:

- 1. NEED: The need for the Applicant's proposed replacement nursing home does not propose any change or increase in nursing home beds and therefore would not impact the existing service area bed need. Additionally, the project is supported by the statistical need formula showing a need for 30 beds in the proposed service area. The project will provide the residents of Giles County with a new, modern facility to serve their long term care needs.
- 2. **Economic Feasibility**: The project is economically feasible because it will be funded from [cash reserves] of the Applicant's parent organization. The service area is unchanged from the existing facility, and is reasonably drawn. The financial projections of the Applicant demonstrate that it will be financially viable within the first two years of opening.
- 3. **Appropriate Quality Standards**: The Applicant will also meet appropriate quality standards as it will be licensed by the Tennessee Department of Health and participate in Medicare and Medicaid, thus requiring it to meet federal skilled nursing facility regulations. Once licensed, the new building will continue the ongoing quality oversight and improvement programs of the existing facility as described in Section C of the applications.
- 4. Orderly Development: The project furthers the orderly development of health care in the service area because the project squarely meets the criteria for preference for approval as set forth in the State Health Plan: Standards for Nursing Homes at Item #8: Encouraging Facility Modernization. The HSDA should give preference to this application because it proposes a replacement facility to modernize an existing facility, and the location for that replacement is as close to its existing facility.

operating location as is possible (an adjacent parcel of land). The replacement facility meets the criteria for being located as closely as possible to the location of the existing facility. The project is orderly developed because the new, modernized facility will not impact any other provider in the applicant's market because there is no change in beds or service location or service area.

Further, the project should be give favorable consideration by the HSDA under replacement facility applications standards described in TCA §68-11-1627, because the Applicant seeks a new facility to replace physical plants that have building and/or life safety problems, and will seek to improve the patient-centered nature of their facility by adding home-like features such as private rooms and/or home-like amenities.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

RESPONSE: The Applicant is seeking placement on the consent calendar. Pursuant to Tenn. R. & Regs. §0720-10-.04, this application meets the criterion for placement on the Consent Calendar. The facility is not requesting any additional beds, and the replacement facility will be constructed on the closest adjacent parcel to the existing location. There is sufficient need, as demonstrated by the facility's own performance, statistical need formula, and the necessity of replacement of this facility long term. As such there is no measurable impact on the service area and/or other facilities from this application. The application is not opposed by any party, and as demonstrated in the application, the project clearly meets the need, economic feasibility, orderly development, and quality criteria to be approved. As requested in a separate letter addressed to the Agency's Executive Director is included as the cover letter to this Application, and is attached as Attachment Section A-3(C).

Attachment Section A-4.

RESPONSE: A copy of the certificate of existence for Applicant is attached as Attachment Section A-4. Also attached as Attachment Section A-4 are certificates of existence for American Health Centers, Inc. and the management company, Tennessee Health Management, Inc.

<u>Describe</u> the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

RESPONSE: The Applicant for the replacement nursing home will be the licensed entity of the existing nursing home, Meadowbrook Health and Rehabilitation Center, Inc., a Tennessee for-profit corporation. The Applicant is wholly owned by American Health Companies, Inc. (AHC), a Tennessee corporation. AHC is owned by its employee through an employee stock ownership plan (ESOP), which is an employee-owner program that provides a company's workforce with an ownership interest in the company. A diagram of the organizational chart and ownership is included at Attachment A-4 (Part 3) - Ownership Organizational Chart

Attachment Section A-5.

RESPONSE: The Applicant's facility will be managed by a management company Tennessee Health Management, Inc. (THM). A copy of the current proposed management agreement between the Applicant and Tennessee Health Management is attached as Attachment Section A-5.

Attachment Section A-6A

RESPONSE: The land where the replacement facility will be located is owned by American Health Properties, Inc., is a wholly owned affiliate of AHC, having been purchased on April 12, 2018 for the purpose of relocating the facility to a new building. At the current site, the Applicant has a lease with Meadowbroook Long Term Care Facility, Inc. Meadowbrook Long Term Care Facility, Inc. is a property holding company for the facility real property, and like the Applicant is a wholly owned affiliate of AHC. Once completed, it is contemplated that the Applicant will enter into a lease with the AHC affiliate owning the proposed replacement site.

Attachment Section 6B-1a-d

RESPONSE: Included in Attachment Section 6B-1a-d is the plot plan for the project, located on an unaddressed parcel identified as #097-57.01 in the Giles County property records. The size of the parcel is 8.45 acres. The proposed location is immediately adjacent to the northeast portion of the existing property; separated by the right of way for East College Street (also identified as State Route 15 / Highway 64 by the Tennessee Department of Transportation). The proposed facility will be situated so as to make effective use of the existing parcel, and access will be provided from the East College Street.

Attachment Section 6B-2

RESPONSE: A floor plan for the project is provided in Attachment Section A-6B-2.

Attachment Section 6B-3

RESPONSE: The proposed replacement location is across the street from the existing facility, so the convenience and proximity of the facility to its service population is unchanged. The current facility is located at 1245 East College Street, Pulaski, Tennessee. The current and proposed site are located off of US-64 West, approximately 10 miles from Interstate 65. There are no public transportation routes to the Facility.

Attachment Section A-10-B

RESPONSE: Not applicable. The proposed CON is for a new replacement facility and does not change the bed compliment or request increased beds.

Attachment Section A-10-C

RESPONSE: Not applicable. The Applicant does not have any outstanding CONs.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

SECTION B: NEED

A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at http://www.tn.gov/hsda/article/hsda-criteria-and-standards.

RESPONSE: Responses to the State Health Plan at provided at Attachment Section B: Need - A.

B. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

RESPONSE: AHC and THM have operated the Facility for many years in the current location, and have provided for the long term care needs of Giles County residents for many years. While AHC has expanded its lines of business over recent years to include mental health hospitals in Tennessee and Alabama, as well as other businesses, it does continue to plan to operate in the skilled nursing facility space as THM has been a provider of long term care services for over 30 years. The replacement of this Facility is an example of continuing commitment to the residents of Giles County and their health care needs. It is a development and diversification of the company's core business of caring for the elderly and disabled population who have chronic and long term health conditions. The particular parcel for the new facility also provides sufficient additional space to allow Meadowbrook to evaluate whether the addition of assisted living to the campus is a feasible, needed, and economically viable option.

C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment – Section – Need-C.**

Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total procedures
County #1		

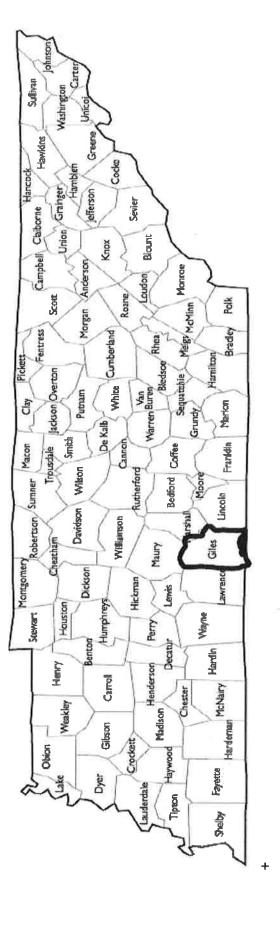
County #2	
Etc.	
Total	100%

Service Area Counties	Projected Utilization-County Residents	% of total procedures
County #1		
County #2		
Etc.		
Total		100%

RESPONSE: The proposed service area of the project is identical to the service area of the existing facility, and is expected to be Giles County where the Facility is located. Approximately eighty percent (80%) of the facility patients originate from Giles County. The service area is reasonable because the majority of the patient population will originate from the county where the facility is located. A majority of the residents resided within 30 minutes travel time of the Facility.

Using the Facility's Joint Annual Report data, the requested tables are completed below:

	201	6			Projected Ye	ear 1 - 2020	
Patient County of Origin	# of Residents	% of Residents (TN Only)	% of Residents (ALL States)	Patient County of Origin	# of Residents	% of Resident s (TN Only)	% of Residents (ALL States)
Davison	7	3.68%	3.61%	Davison	8	4.15%	4.06%
Giles	127	66.84%	65.46%	Giles	154	81.05%	79.38%
Lawrence	11	5.79%	5.67%	Lawrence	12	6.52%	6.39%
Lincoln	2	1.05%	1.03%	Lincoln	2	1.19%	1.16%
Maury	42	22.11%	21.65%	Maury	35	18.42%	18.04%
Rutherford	1	0.53%	0.52%	Rutherford	1	0.59%	0.58%
Alabama	4	2.11%	2.06%	Alabama	5	2.63%	2.58%
TN TOTALS	190	n/a	98%	TN TOTALS	213	n/a	98%
AL TOTALS	4	n/a	2%	ALTOTALS	ALTOTALS 5		2%
GRAND TOTAL	194			GRAND TOTAL	218		> 1



County Level Map

D. 1. a) Describe the demographics of the population to be served by the proposal.

RESPONSE: A statistical table listing the demographics of Giles County is included at Attachment – Section B–Need-D-1-a. Demographic summary information is also included below in the completed tables at Question D.1.b.

b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: http://www.tn.gov/health/article/statistics-population

TennCare Enrollment Data: http://www.tn.gov/tenncare/topic/enrollment-data

Census Bureau Fact Finder: http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

		Departn	nent of	Health/He	alth Statis	tics		ł	Bureau of	the Cens	us	Tenn	Care
Demographic Variable/Geo graphic Area	Total Population- Current Year	Total Population- Projected Year	Total Population-% Change	*Target Population- Current Year	*Target Population- Project Year	*Target Population- % Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as %	TennCare Enrollees	TennCare Enrollees as % of
County A,													
etc.													
County B,													
etc.													
Service Area													
Total													
State of TN													
Total													

^{*} Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

RESPONSE: Please see the demographic summary information included below in the completed tables at Question D.1.B.

	Total		1	
are	TennCare % se seellonn3	21%	21%	22%
TennCare	TennCare Enrollees	6,453	6,453	1,446,799
	Person Below Poverty Level as % of Total	16.7%	16.7%	17.2%
Bureau of the Census	Person Below Poverty Level	4,721	4,721	1,100,169
Bureau c	Median Household Income	\$40,635	\$40,635	\$46,574
	əgA nsibəM	43	43	38
	Target Population Projected Year as % of Total	22.8%	22.8%	17.8%
	*Target Population- % Change	6.7%	6.7%	21.1%
atistics	*Target Population- Project Year	6,994	6,994	1,267,962
lealth/Health Statistics	*Target Population- Current Year	6,553	6,553	1,047,031
Department of Health/I	%-notal Population-% Ghange	0.7%	%2.0	%6.9
Depart	Total Population- Projected Year	30,691	30,691	7,112,424
	Total Population- Current Year	30,492	30,492	6,651,120
	Demographic Variable/ Geographic Area	Giles County	Service Area Total	State of TN Total

2. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE: Please see the demographic summary information included in Attachment – Section B–Need-D-1-a. More specifically, Giles County has projected population change in the target age group that is significantly higher than the total projected growth of the county population (<1% versus almost 7%). The median household income is in line with but slightly lower than the state overall (\$40,635 vs. \$46,574).

The Tennessee Department of Health Chronic Disease Health Profile for Giles County (https://hit.health.tn.gov/CountyChronicProfile/SouthCentral.pdf at p.19) demonstrates that while Giles County is in the middle for overall mortality (44th of 95 counties), the leading causes of death for the county's population are heart disease, cancer, accidents, and stroke.

Indicator	Rank
High School Education and Higher	28
Individuals in Poverty	58
Unemployment	16
Crime	41
Teen Pregnancy	67
Infant Mortality	68
All-Cause Mortality	44
Heart Disease Mortality	24
Stroke Mortality	21
Chronic Lower Respiratory Disease Mortality	45
Diabetes Mortality	29
Cancer Mortality	69
Cancer Incidence	74
Lung Cancer Incidence	68
Breast Cancer Incidence	72
Colorectal Cancer Incidence	18
Prostate Cancer Incidence	62

E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

RESPONSE: There are three nursing homes located in Giles County, including the applicant. There are no approved by unimplemented CONs for nursing home services. Because this proposed CON is only for the movement of existing services from the current nursing home building to a new adjacent building located across the street, the question does not apply. However, a chart of utilization data for the three Giles County nursing homes is included at Attachment – Section B–Need-E.

F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project

utilization. The methodology <u>must include</u> detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: A utilization table for Meadowbrook for the applicable historical and projected two years is included at Attachment – Section B–Need-F. The summary of those statistics are as follows:

Year	Patient Days	Occupancy
2015	21,005	69.30%
2016	23,063	76.13%
2017	21,490	70.90%
2020	25,750	85.00%
2021	26,950	88.96%

After the initial construction and occupancy of the new facility, Meadowbrook intends to move all existing patients to the new building. It anticipates that the census of the facility will remain similar to its current operation. However, the new facility will begin, in its first year of operation, to gradually increase the admission of Medicare Part A patients to make up a higher percentage of the overall census due to the fact that most patients will initially admit to the facility from a hospital. Occupancy is expected to grow steadily, reaching 90% occupancy by the end of the second year. It is anticipated that Medicaid will still comprise the largest portion of the facility's overall mix as the facility achieves higher overall occupancy levels and retains a larger number of long-term residents. The facility will serve both short-stay, more acute patients, as well as longer-term patients.

SECTION B: ECONOMIC FEASIBILITY

- A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - 1) All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)
 - 2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
 - 3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - 4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

- 5) For projects that include new construction, modification, and/or renovation—<u>documentation</u> <u>must be</u> provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
 - a) A general description of the project;
 - b) An estimate of the cost to construct the project;
 - c) A description of the status of the site's suitability for the proposed project; and
 - d) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

RESPONSE: The completed Square Footage Chart is included at Attachment – Section B– Economic Feasibility-A-4. Documentation from the project's architect for Question 5 is included at Attachment – Section B– Economic Feasibility-A-5. The completed Project Cost Chart follows on the next page.



			Page 24 o
	PROJECT COSTS CHART		
Α.	Construction and equipment acquired by purchase: 1 Architectural and Engineering Fees	\$	575,000.00
	2 Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$	35,000.00
	3 Acquisition of Site	φ \$	280,000.00
	4 Preparation of Site	\$	900,000.00
	5 Construction Costs	\$10	,500,000.00
	6 Contingency Fund	\$	650,000.00
	7 Fixed Equipment (Not included in Construction Contract)	\$	175,000.00
	8 Moveable Equipment (List all equipment over \$50,000)	\$	3
_	9 Other (Specify) FFE	***	700,000.00
B.	Acquisition by gift, donation, or lease:	\$	-
	1 Facility (inclusive of building and land)	\$	-
	2 Building only3 Land only	\$	-
	3 Land only4 Equipment (Specify)	Φ	-
	5 Other (Specify)	¢ 2	_
C.	Financing Costs and Fees:	Ψ	-
Ο.	1 Interim Financing	\$	
	2 Underwriting Costs	\$	
	3 Reserve for One Year's Debt Service	\$	84
	4 Other (Specify)	·	
D.	Estimated Project Cost (A+B+C)	\$1	3,815,000.00
E.	CON Filing Fee	\$	79,436.25
F.	Total Estimated Project Cost	\$13	,894,436.25

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

- Commercial loan Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
 Tax-exempt bonds Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
 General obligation bonds Copy of resolution from issuing authority or minutes from the appropriate meeting;
 Grants Notification of intent form for grant application or notice of grant award;
- XX 5) Cash Reserves Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- 6) Other Identify and document funding from all other sources.

C. Complete Historical Data Charts on the following two pages—<u>Do not modify the Charts provided</u> or submit Chart substitutions!

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

RESPONSE: The completed Historical and Projected Data Charts follow on the next several pages of the application. Documentation of the availability of cash reserved from the Chief Financial Officer of AHC is included at Attachment – Section B– Economic Feasibility-B-5.



Give information for the last *three* (3) years for which complete data are available for the facility or agency. The fiscal year begins in **January** [TOTAL FACILITY]

		2015		2016		2017
A. Utilization Data (=patient days)		21,038		23,067		21,490
B. Revenue from Services to Patients						
1. Inpatient Services	\$	4,912,550	\$	5,672,840		5,328,875
2. Outpatient Services		=		:#		100
3. Emergency Services		*8		(#.		(# 0
4. Other Operating Revenue (Specify)		1,553		1,435		6,555
Gross Operating Revenue	\$	4,914,103	\$	5,674,275	\$	5,335,430
C. Deductions from Gross Operating Revenue						
1. Contractual Adjustments	\$		\$		\$	
2. Provisions for Charity Care		-				
3. Provisions for Bad Debt		(41,665)		(155,774)		(121,575)
Total Deductions	\$	(41,665)	\$	(155,774)	\$	(121,575)
NET OPERATING REVENUE	\$	4,872,438	\$	5,518,501	\$	5,213,855
D. Operating Expenses	\$	ш	\$	2	\$	2
1. Salaries and Wages						
a. Direct Patient Care	\$	1,031,872	\$	1,154,425	\$	1,127,778
b. Non-Direct Patient Care	\$	623,895	\$	720,855	\$	708,769
2. Physician's Salaries and Wages						
3. Supplies	\$	439,063	\$	431,419	\$	423,847
4. Rent						
a. Paid to Affiliates	\$	77	\$		\$	
b. Paid to Non-Affiliates	\$	2	\$	<u> </u>	\$	+
5. Management Fees			_			
a. Paid to Affiliates	\$	294,753	\$	369,912	\$	373,021
b. Paid to Non-Affiliates	\$	*	\$	-	\$	9 =)
6. Other Operating Expenses	\$	2,180,833	\$	2,325,575		2,273,634
Total Operating Expenses	\$	4,570,416	\$	5,002,185	_	4,907,050
E. Earnings Before Interest, Taxes, and Depreciation	\$	302,022	\$	516,316	\$	306,805
F. Non-Operating Expenses	_	0.044		(0.004)	_	10.000
1. Taxes	\$	8,841	\$	(9,231)	\$	12,202
2. Depreciation	\$	60,413	\$	66,348	\$	74,652
3. Interest, Other than Capital	\$	259,783	\$	254,159	\$	245,776
4. Other Non-Operating Expenses	\$	6,024	\$	10,015	\$	9,785
Total Non-Operating Expenses	\$	335,061	\$	321,292	\$	342,416
NET INCOME (LOSS)	\$	(33,039)	\$	195,024	\$	(35,611)

HISTORICAL DATA CHART

G. Other Deductions

Estimated Annual Principal Debt Repayment	116,203	121,215	126,443
2. Annual Capital Expenditure	\$ ***	\$ 1965	\$ **
Total Other Deductions	\$ 116,203	\$ 121,215	\$ 126,443
NET BALANCE	\$ (149,242)	\$ 73,809	\$ (162,054)
DEPRECIATION	\$ 60,413	\$ 66,348	\$ 74,652
FREE CASH FLOW (Net Balance + Depreciation)	\$ (88,829)	\$ 140,157	\$ (87,402)

PROJECTED DATA CHART - OTHER EXPENSES

	OTHER EXPENSES CATEGORIES	2015	2016	2017
1,	Compensated Absenses	\$ 110,604	\$ 144,493	\$ 153,389
2.	Payroll Taxes	\$ 133,788	\$ 150,738	\$ 148,701
3.	Employee Benefits	\$ 258,019	\$ 265,698	\$ 278,125
4.	Education	\$ 8,710	\$ 6,976	\$ 9,542
5.	Non-Convention/Seminar Travel	\$ 6,701	\$ 6,962	\$ 11,095
6.	Employee Recruitment	\$ 436	\$ 2,562	\$ 556
7.	Food, Supplements, & Nutrition	\$ 174,204	\$ 200,549	\$ 178,010
8.	Outside Services	\$ 743,462	\$ 849,942	\$ 844,151
9.	Equipment	\$ 91,082	\$ 82,742	\$ 36,653
10.	Utilities	\$ 145,214	\$ 136,281	\$ 131,820
11.	Repairs & Replacement	\$ 45,608	\$ 71,105	\$ 43,975
12.	Marketing	\$ 12,797	\$ 11,263	\$ 30,079
13.	Licenses	\$ 1,400	\$ 1,400	\$ 1,435
14.	Dues, Memberships & Subscriptions	\$ 11,937	\$ 9,341	\$ 12,221
15.	Insurance	\$ 129,790	\$ 69,606	\$ 51,601
16.	Bed Taxes	\$ 280,287	\$ 257,150	\$ 282,631
17.	Donations	\$ 1,575	\$ 260	\$ 810
18.	Non-Cost Report Fees	\$ (269)	\$ 4,353	\$ (1,085)
19.	Purchasing Discounts	\$ (2,549)	\$ (6,281)	\$ (1,360)
20.	Other Taxes	\$ Œ	\$ 30,844	\$ 30,329
21.	Real Estate Taxes	\$ 28,037	\$ 29,590	\$ 30,957
	Total Other Expenses	\$ 2,180,833	\$ 2,325,575	\$ 2,273,634

D. Complete Projected Data Charts on the following two pages – <u>Do not modify the Charts provided</u> <u>or submit Chart substitutions!</u>

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.



Give information for the two (2) years following the completion of this project. The fiscal year begins in **MONTH** [For Project Only]

		2020		2021
A.	Utilization Data (=patient days)	25,750		26,950
B.	Revenue from Services to Patients			
	1. Inpatient Services	\$ 6,731,073	\$	7,115,756
	2. Outpatient Services	\$ -	\$	-
	3. Emergency Services	\$ =	\$	120
	4. Other Operating Revenue (Specify)	\$ =	\$	(4 9)
	Gross Operating Revenue	\$ 6,731,073	\$	7,115,756
C.	Deductions from Gross Operating Revenue			
	Contractual Adjustments	<u> </u>		*
	2. Provisions for Charity Care	х а		4 0
	3. Provisions for Bad Debt	(157,119)		(166,099)
	Total Deductions	\$ (157,119)	\$	(166,099)
NET	OPERATING REVENUE	\$ 6,573,954	\$	6,949,657
D.	Operating Expenses	\$ -	\$	29
	1. Salaries and Wages			
	a. Direct Patient Care	1,368,341		1,432,107
	b. Non-Direct Patient Care	859,954		900,030
	Physician's Salaries and Wages			
	3. Supplies	514,257		538,222
	4. Rent			
	a. Paid to Affiliates			S#4
	b. Paid to Non-Affiliates	=		-
	5. Management Fees			
	a. Paid to Affiliates	471,175		498,103
	b. Paid to Non-Affiliates	(#)		5
	6. Other Operating Expenses	2,807,511		2,937,350
	Total Operating Expenses	\$ 6,021,238	\$	6,305,812
E.	Earnings Before Interest, Taxes, and Depreciation	\$ 552,716	\$	643,845
F.	Non-Operating Expenses			
	1. Taxes	14,463		15,289
	2. Depreciation	309,091		309,091
	3. Interest, Other than Capital			
	4. Other Non-Operating Expenses		_	
	Total Non-Operating Expenses	\$ 323,554	\$	324,380
NET	INCOME (LOSS)	\$ 229,162	\$	319,465

PROJECTED DATA CHART

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G.	Other Deductions
G.	Other Deductions

Estimated Annual Principal Debt Repayment	\$ =	\$ (E)
2. Annual Capital Expenditure	\$ -	\$ · · ·
Total Other Deductions	\$ -	\$ -
NET BALANCE	\$ 229,162	\$ 319,465
DEPRECIATION	\$ 309,091	\$ 309,091
FREE CASH FLOW (Net Balance + Depreciation)	\$ 538,253	\$ 628,556

	PROJECTED DATA CHART - OTHER EXPENSES						
	OTHER EXPENSES CATEGORIES	2015	2016				
1.	Compensated Absenses	186,108	194,781				
2.	Payroll Taxes	180,420	188,828				
3.	Employee Benefits	333,573	349,118				
4.	Education	11,578	12,117				
5.	Non-Convention/Seminar Travel	13,462	14,090				
6.	Employee Recruitment	674	706				
7.	Food, Supplements, & Nutrition	215,980	226,045				
8.	Outside Services	1,015,740	1,063,076				
9.	Equipment	44,471	46,543				
10.	Utilities	159,938	167,391				
11.	Repairs & Replacement	3,355	5,842				
12.	Marketing	36,495	38,196				
13.	Licenses	1,741	1,822				
14.	Dues, Memberships & Subscriptions	14,828	15,519				
15.	Insurance	172,059	175,250				
16.	Bed Taxes	336,554	355,788				
17.	Donations	983	1,029				
18.	Non-Cost Report Fees	245	256				
19.	Purchasing Discounts	(1,650)	(1,727)				
20.	Therapy Expense	9 0					
21,	Pharmacy Expense	E)/	A				
22.	Other Taxes	36,957	38,680				
23.	Real Estate Taxes	44,000	44,000				
	Total Other Expenses	\$ 2,807,511	\$ 2,937,350				

E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year - 2016	Current Year - 2017	Year One - 2020	Year Two - 2021	% Change (Current Year to Year 2)
Gross Charge (Gross Operating Revenue/Utilization Data)	\$245.99	\$248.28	\$261.40	\$264.04	6.35%
Deduction from Revenue (Total Deductions/Utilization Data)	\$(6.75)	\$(5.66)	\$(6.10)	\$(6.16)	8.94%
Average Net Charge (Net Operating Revenue/Utilization Data)	\$239.24	\$242.62	\$255.30	\$257.87	6.29%

2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

RESPONSE: The projected average charges are reflected above. The Applicant projects the following individual charges by payor source:

Payor Source	Rate per diem
Medicare Part A/ Medicare Advantage	\$445.76
Medicaid / TennCare	\$173.86
Commercial Payors	\$386.32
Private Pay / Self-Pay	\$188.60
Hospice	\$172.69

The anticipated revenues are reflected in the Projected Data Chart. There is a modest increase from the current year to the expected year two that is consistent with historical increases that the Facility has seen in average per patient per day reimbursements over several years.

3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: The projected average charges for the replacement facility in Year 1-2020 of operation are shown above. The average charges of the Facility and other SNF providers in Giles County for year 2016 (based on JAR reported data) are reflected below:

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Facility	Total Patient Revenue	Adjustments to Charges	Total Net Pt. Revenue	Total Days of Care	Avg. Gross Charge PPD	Average Net Charge PPD
Ardmore Health & Rehab Center	\$3,989,943	(\$63,237)	\$3,926,706	16,364	\$ 243.82	\$ 239.96
Meadowbrook Health & Rehab	\$5,672,840	(\$155,774)	\$5,517,066	23,063	\$ 245.97	\$ 239.22
NHC Healthcare Pulaski	\$9,369,956	(\$90,509)	\$9,279,447	33,278	\$ 281.57	\$ 278.85

F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility. NOTE: Publicly held entities only need to reference their SEC filings.

RESPONSE: The replacement of the facility is necessary for the physical plant reasons noted in the application, but also to ensure that the facility is up to date to compete in the service area marketplace for long term care facility residents. With the new building, Meadowbrook projects a greater ability to attract patients, and a commensurate increase in census. As noted in the historical performance of the facility the projected increase in census will result in projected utilization rates will be sufficient to support the financial performance of the Facility. The facility is currently financially viable, and the new facility will achieve a positive net cash flow in the first year of operations. Financial information supporting the funding of the project is included at Attachment – Section B– Economic Feasibility-F-1.

2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	0.0620	0.0936	0.0588	0.0958	0.0957

RESPONSE: The Net Operating Margin Ration is calculated in the above table.

3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions.

The formula for this ratio is: (Long-term debt/(Long-term debt/Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

<u>RESPONSE</u>: The Applicant has provided a balance sheet for American Health Companies, Inc. as part of Attachment–Section B: Economic Feasibility-F-1. Using the figures in that balance sheet, and the formula noted above, the Capitalization Ratio is calculated as follows:

Long Term Debt	\$ 114,709,251.00
Total Equity	\$ 71,846,662.00
Long Term Debt + Total Equity	\$ 186,555,913.00
RATIO: (Long-term debt/(Long-term debt + Total Equity	The state of the s
(Net assets)) x 100)	61.48

G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Applicant's Projected Payor Mix, Year 1 – (2020)

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	\$1,615,457.52	24%
TennCare/Medicaid	\$3,904,022.34	58%
Commercial/Other Managed Care	\$403,864.38	6%
Self-Pay	\$471,175.11	7%
Charity Care	\$-	
Other (Specify)	\$336,553.65	5%
Total	\$6,731,073.00	100%

RESPONSE: The Applicant's Projected Payor Mix, Year 1 is shown in the table above.

H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

Position	Existing	Projected	Average Wage (Contractual	Area
Classification	FTEs	FTEs		Wide/Statewide
Olassification	(enter year)	Year 1	Rate)	Average Wage

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a)	Direct Patient Care Positions		
•	Position 1		
	Position 2		
	Position "etc."		
	Total Direct Patient		
	Care Positions		

b)	Non-Patient Care Positions		1000000	
-	Position 1			
	Position 2			
	Position "etc."			
	Total Non-Patient Care Positions			
	Total Employees (A+B)			
c)	Contractual Staff			
	Total Staff (A+B+C)			

RESPONSE: The completed staffing chart is included at Attachment – Section B– Economic Feasibility-H

- Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - 1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.
 - 2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

RESPONSE: The Facility and its management team have extensively discussed alternatives to the Facility's current situation and there is no economically feasible alternative other than replacement. The existing Facility holds nursing home license #92, and is approximately forty (40) years old having been built approximately 1979. While the Facility has been maintained, it must now be replaced because maintaining the Facility in compliance with regulations, including life safety and building codes, is making further maintenance and renovations increasingly cost prohibitive. There are currently multiple issues creating this situation. The Facility's roof requires full replacement at an estimated cost of \$700,000. The roof's construction makes the replacement and renovation a particularly difficult job because a number of issues with the ductwork, roof slopes and tapers must be resolved. There are also life safety issues identified on recent surveys the Facility is working to ameliorate. However, those issues require additional extensive repairs estimated at \$1.6-\$2.0 million dollars. The life safety issues include the need to replace a functioning, but outdated, sprinkler system in the building, and the need to replace certain walls because of pipe penetrations that need to be sealed. After having these issues evaluated, the owner of the Facility has determined the proposed remediation will require extensive financial resources, and will also result in a long period of disruption to operations. This disruption will result from certain portions of the Facility needing to be closed as construction and renovation progresses on each section. The Facility will need to move patients from room to room within the Facility while work is done on each area. The Facility is currently making HF-0004 Revised 12/2016 – All forms prior to this time are obsolete RDA 1651

certain modifications to be able to timely comply with agreements related to its plan of correction for certain of these issues which were cited as life safety deficiencies on recent state department of health surveys. However, a long term remedy will require a new facility.

There is no available space on the existing parcel to construct a replacement facility. Therefore, the Facility's owners have identified a vacant parcel adjacent to the existing Facility that is the closest available parcel upon which to construct a replacement facility.

SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

RESPONSE: Meadowbrook has been an existing skilled nursing facility in the Giles County community for almost 40 years. As such, the facility is well-known to the community and to health care providers in the area, It has transfer agreements with Southern Tennessee Regional Hospital System —Pulaski. It also has strong referral and clinical relationships with both STRHS-Pulaksi, as well as the larger Maury Regional Hospital (which is about 30-50 minutes away). A listing of health care providers that Meadowbrook has and plans to continue to maintain in a new facility is included at Attachment Section B — Orderly Development - A.

B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

1) Positive Effects

RESPONSE: The proposed project is beneficial to the health care system and will result in no negative effects from unnecessary duplication of services or competition. The focus of the project is to replace, update and modernize the existing Meadowbrook Nursing Home. Doing this will improve the overall post-acute care continuum in Giles County by elevating the physical plant of the Facility and enhancing the services already available to residents of the Facility.

The proposed project provides economic and clinical efficiencies very well because it derives from a forward looking joint venture between acute and post-acute providers. The significant focus on rehospitalizations and associated costs, along with ACO and bundled payment arrangements, are making the coordinate between acute and post-acute more important. With an eye to economic efficiencies and competitive markets, the State's health care system is beginning to reshape itself to better serve the needs of the patient, exactly in the way this project is designed to do. This project assures the appropriate level of care and supply of skilled nursing facility beds are available, when needed, so that acute and post-acute costs can be maintained at their lowest level possible. This is done by making sure patients utilize services at the lowest intensity and cost possible.

Negative Effects

RESPONSE: Most importantly, there will be no negative effects from the new facility because 1) the project will not increase the number of skilled nursing facility beds in the service area and 2) current methodologies already identify a significant current and future need for nursing home beds within Giles County.

The proposal will not have any negative impacts on other providers as it is not seeking additional licensed beds. In addition, the proposal is not seeking the initiation of any new services and will result in a much improved environment to serve the post-acute care needs of the population. The project will simply provide a level of facility with amenities and services meeting both the necessary regulatory criteria and the anticipated market demands of Giles County residents.

C.,

1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

RESPONSE: The Facility is currently operating and maintains staffing sufficient to meet the needs of its patients. Because the project is a replacement of the facility and does not increase the number of beds, the Facility believes it already demonstrates the availability of and accessibility to necessary clinical and professional staff from the existing employees at the Facility. There is expected to be no changes in employees from the project being completed.

2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

RESPONSE: The Applicant so verifies. THM has policies and procedures in place governing regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

RESPONSE: Meadowbrook does participate in the training of students in health care professions. The Facility has currently, and plans to maintain, an agreement with Martin Methodist College to provide clinical training at the facility as part of the college's register nurse (RN) nursing program. The Facility also conducts periodic training classes for certified nursing assistants that includes 40 hours of instruction, along with clinical training for a total of 75 hours of CNA training.

D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Tennessee Department of Health, Board for Licensing Tennessee Health Care Facilities as a nursing home.

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.): The facility will maintain its current certification from the Centers for Medicare and Medicaid Services (CMS) as a Medicare participating skilled nursing facility (SNF), and from TennCare as a Medicaid participating nursing facility (NF).

Accreditation (i.e., Joint Commission, CARF, etc.): N/A

1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

RESPONSE: A copy of the current license for the Facility is included at Attachment Section B: Orderly Development – D(1). All cited deficiencies have been corrected.

2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

RESPONSE: A copy of the most recent Statement of Deficiencies for the Facility is included at Attachment Section B: Orderly Development – D(2). All cited deficiencies have been corrected.

- 3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.
 - a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

RESPONSE: During the last three survey cycles the Facility has not had any survey deficiencies that have resulted in any events listed in D.(3).

- E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:
 - 1) Has any of the following:
 - a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);
 - b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or
 - c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.
 - 2) Been subjected to any of the following:
 - a) Final Order or Judgment in a state licensure action;
 - b) Criminal fines in cases involving a Federal or State health care offense;
 - c) Civil monetary penalties in cases involving a Federal or State health care offense;
 - d) Administrative monetary penalties in cases involving a Federal or State health care offense;
 - e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or
- f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.

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- g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.
- h) Is presently subject to a corporate integrity agreement.

RESPONSE: With respect to Question E above, the Applicant states that as an entity affiliated with both a health care company engaged in multiple lines of business, it and all affiliates of the company are routinely subject to investigations, regulatory actions, and are parties in various civil action as a normal course of business within the regulated health care industry. To the best of the Applicant's knowledge and based on the interpretation of the events listed in E(2)(a-h) the Applicant states that no person(s) or entity listed within the scope of E(1)(a-c) above has been subject to any of the events or sanctions listed in E(2)(a-h) above, except as follows:

ITEM E(2)(g):

- With respect to Item E(2)(g), as an entity affiliated with both a hospital system and long term care company, it and all affiliates of its joint venture parents are routinely subject to investigations, regulatory actions, and are parties in various civil actions as a normal course of business within the regulated health care industry.
- Due to the nature of the long term care industry, skilled nursing facilities are routinely involved with investigations from various state and/or federal agencies, including those related to annual or complaint surveys (CMS and state, sometimes law enforcement) as well as the EEOC, local state and city human rights commissions, and from time to time, the Department of Labor.

F. Outstanding Projects:

1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

RESPONSE: The applicant has no outstanding CON projects. In April 2018, an affiliate of the Applicant was awarded CN-1801-005 (Unity Psychiatric Services Clarksville, LLC) for the establishment of a 48 bed adult mental health hospital and initiation of inpatient psychiatric services.

Outstanding Projects						
CON Number	Project Name	<u>Date</u>	*Annual Progress Report(s) E		*Annual Progress Report(s) Expir	Expiration
OON Number	1 Toject Name	Approved	Due Date	Date Filed	<u>Date</u>	
CN-1801-005	Unity Psychiatric Services Clarksville, LLC	April 25, 2018	April 25, 2019	n/a	June 1, 2021	
			-			

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U					

^{*} Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

2) Provide a brief description of the current progress, and status of each applicable outstanding CON

RESPONSE: The Unity Clarksville project is currently beginning preparations for construction of the new facility.

- Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? NO
 If yes, have you submitted their registration to HSDA? If you have, what was the date of
- If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?_____

G. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission? _____

SECTION B: QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

RESPONSE: If approved, the Applicant will provide the Tennessee Health Services and Development Agency, and any other state agency when required, with information concerning the number of patients treated, the number and type of procedures performed, proscribed quality measures, and other data as required or requested. The Applicant also intends to provide all information requested by applicable regulations, including but not limited to the information provided through the yearly Joint Annual Report for Nursing Homes to the Department of Health.

STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at http://www.tn.gov/health/topic/health-planning). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the <u>5 Principles for Achieving Better Health</u> found in the State Health Plan.

- 1. The purpose of the State Health Plan is to improve the health of the people of Tennessee.
- 2. People in Tennessee should have access to health care and the conditions to achieve optimal health.
- 3. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.
- 4. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.
- 5. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

RESPONSE:

Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan.

1. Healthy Lives: The purpose of the State Health Plan is to improve the health of Tennesseans.

RESPONSE: While this principle focuses mainly on the goals and strategies that support health policies and programs at the individual, community, and state level that will help improve the health status of Tennesseans, the proposed Meadowbrook replacement facility is consistent with this goal because it seeks to modernize an existing facility that is an essential provider of long term care services in the Giles County and surrounding area. The new facility will only existing and future patients to live and rehabilitate in a modern facility, and will also provide a facility to receive individuals who need additional transition from an acute care stay. All individuals will be able to receive skilled nursing care and rehabilitative services in a more home like environment than in an acute care setting. The proposed facility will have as its goal that all patients return home to the least restrictive and least costly option available where that individual can live the healthiest life possible. The addition of more

private rooms and eliminate of ward room beds is a significant improvement over the existing facility.

2. Access to Care: Every citizen should have reasonable access to health care.

RESPONSE: The existing Meadowbrook nursing home provides access to long term care services and post-acute skilled nursing facility services to all patients in the Giles County area, and has done so for almost forty (40) years. The new facility is needed for Meadowbrook to continue that mission to provide long term care services in a way that is in full compliance with regulations, and in an environment that is efficient and effective for patient care. To not approve the proposed replacement facility CON could actually reduce the access to care by patients because the ability to operate the facility on a long term basis would be compromised.

The second advantage of this new facility is that the proposed new parcel has sufficient space for Meadowbrook to consider the development of other levels of long term care, such as assisted care living at the site. The current facility is land-locked and no additional room is available to undertake such considerations.

The proposed replacement facility will continue its existing participation in both Medicare and Medicaid, and will long term care services are available for individuals of all income levels. As a Medicaid facility, the Applicant will comply with the provisions of the <u>Linton v. Commissioner</u> settlement agreement and accompanying regulations that requires admissions on a first come, first serve basis regardless of payer type.

3. Economic Efficiencies: The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.

RESPONSE: Meadowbrook believes this proposal helps address the needs of Tennesseans while encouraging competitive markets and economic efficiencies.

- The proposed replacement facility is economical feasible and will reduce the costs of maintenance and significant repair that would otherwise need to be invested in the current antiquated facility that is forty years old. If these beds were not available, the potential population would be underserved given the need demonstrated in the Applicant's projects based on the state's statistical need formula.
- Meadowbrook will to educate the community, as it has done for years, to ensure seniors and their families are aware of the potential services which would be a benefit to them, such as physical therapy, occupational therapy and speech therapy.
- Updating the existing outdated facility suffering from several physical plant limitations will enhance the market without any negative impacts on the existing providers in the county. A modern facility coming to the market will allow existing providers to examine their own facilities and business models, and consider enhancements. Additionally, the implementation July 1, 2018 of a new TennCare reimbursement system provides incentives within the reimbursement system to maintain, and even in some cases update, facilities that are in need of modernization.

4. Quality of Care: Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.

RESPONSE: This proposed facility will adhere to professional standards because Meadowbrook follows and will continue to advance a continuous quality improvement program model, which constantly evaluates the facility's care and holds professionals to high standards of practice and patient centered care.

The new facility will maintain its licensure with the Tennessee Board for Licensing Health Care Facilities in good standing, and will continue to be certified by CMS for Medicare (and TennCare) and Medicaid participation. It will adhere to the quality monitoring and patient care regulations applicable to all such institutions.

Meadowbrook has maintained good quality ratings and is at or near the top of the Medicare Star rating for facilities in Giles County, as shown in the table below:

Facility	Overall Rating	Health Inspections	Staffing	Quality Measures
Ardmore	*	**	***	*
Meadowbrook	****	****	***	***
NHC Pulaski	***	**	***	****

Accessed on 7/12/2018 at www.Medicare.gov/nursinghomecompare.

★ Much below average
★ ★ Below average
★ ★ ★ Average
★ ★ ★ ★ Above average
★ ★ ★ ★ Much above average

5. Health Care Workforce: The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.

RESPONSE: The Facility is currently operating and maintains staffing sufficient to meet the needs of its patients. Because the project is a replacement of the facility and does not increase the number of beds, the Facility believes it already demonstrates the availability of and accessibility to necessary clinical and professional staff from the existing employees at the Facility. There is expected to be no changes in employees from the project being completed. Meadowbrook does participate in the training of students in health care professions. The Facility has currently, and plans to maintain, an agreement with Martin Methodist College to provide clinical training at the facility as part of the college's register nurse (RN) nursing program.

PROJECT COMPLETION FORECAST CHART

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

-	<u>Phase</u>	DAYS REQUIRED	Anticipated Date (Month/Year)
1.	Initial HSDA decision date		October 24, 2018
2.	Architectural and engineering contract signed	30	Nov-2018
3.	Construction documents approved by the Tennessee Department of Health	120	Feb-2019
4.	Construction contract signed	121	Aug-2018
5.	Building permit secured	166	Oct-2018
6.	Site preparation completed	196	Nov-2018
7.	Building construction commenced	210	Nov-2018
8.	Construction 40% complete	330	Mar-2019
9.	Construction 80% complete	450	Jul-2019
10.	Construction 100% complete (approved for occupancy)	540	Oct-2019
11,	*Issuance of license	590	Dec-2019
12.	*Initiation of service	620	Jan-2020
13.	Final Architectural Certification of Payment	630	Jan-2020
14.	Final Project Report Form (HF0055)	640	Jan-2020

^{*} For projects that **DO NOT** involve construction or renovation: Please complete items 11 and 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

LIST OF ATTACHMENTS

Attachment Section A-3(C)	Consent Calendar Request Letter
Attachment Section A-4 (Part 1)	Organizational documentation - Applicant
Attachment Section A-4 (Part 2)	Organizational documentation – Owner and Manager
Attachment Section A-4 (Part 3)	Ownership Organizational Chart
Attachment Section A-5	Management Agreement
Attachment Section A-6A	Property Documentation / Interest in Site
Attachment A-6B-1(a-d)	Plot plan
Attachment A-6B-2	Floor plan
Attachment A-6B-3	Highway and Accessibility Information
Attachment Section B—Need— A	Responses to and Discussion of Criteria and Standards in the State Health Plan
Attachment Section B-Need-D-1(a)	Service Area Demographics Information
Attachment Section B—Need-E	Utilization Data for Giles County Nursing Homes
Attachment Section B—Need-F	Meadowbrook Historical /Projected Utilization Statistics
Attachment Section B-Economic Feasibility-A(5)	Architect's Letter
Attachment Section B-Economic Feasibility–B(5)	Documentation from CFO of Cash Reserves
Attachment Section B-Economic Feasibility—F(1)	Applicant Financial Information
Attachment Section B-Economic Feasibility—H	Staffing Chart
Attachment Section B- Orderly Development-A	Providers, vendors, and contractors
Attachment Section B- Orderly Development–D(1)	Facility License
Attachment Section B- Orderly Development – D(2).	Statement of Deficiencies with Plan of Correction

Proof of Publication, Affidavit

SECTION A: PROJECT DETAILS Attachment A-3(C)

Consent Calendar Request Letter

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Christopher C. Puri

Counsel cpuri@bradley.com 615.252.4643 direct



July 13, 2018

Ms. Melanie M. Hill Tennessee Health Services & Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, Tennessee 37243

Re: Meadowbrook Health and Rehabilitation Replacement Facility

Dear Melanie:

Enclosed you will find an original, plus two copies, of a CON Application by Meadowbrook Health and Rehabilitation Center, Inc. for the replacement of its currently licensed and operating eighty-three (83) bed nursing home located in Pulaski, Tennessee (Giles County). This facility was the subject of a determination request at the April 25, 2018 meeting, so the nature of the facility's request and reasons for needing replacement have already been discussed before the agency.

Pursuant to Tenn. R. & Regs. §0720-10-.04, we request that you give consideration to the placing this application on the "Consent Calendar." The facility is not requesting any additional beds, and the replacement facility will be constructed on the closest adjacent parcel to the existing location. As such there is no measurable impact on the service area and/or other facilities from this application. The application is not opposed by any party, and as demonstrated in the application, the project clearly meets the need, economic feasibility, orderly development, and quality criteria to be approved. We would ask that you make the determination that appears to meet the established criteria for granting a certificate of need and place the application on the upcoming Consent Calendar.

Should you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

histopher C. Fun

Christopher C. Puri

CCP/ced Enclosure

SECTION A: PROJECT DETAILS Attachment A-4 (Part 1)

Corporate Charter/Articles of Incorporation
Meadowbrook Health and Rehabilitation Center, Inc.
(Applicant)

Secretary of State Division of Business Services 312 Eighth Avenue North 6th Floor, William R. Snodgrass Tower Nashville, Tennessee 37243

DATE: 05/16/08 REQUEST NUMBER: 6318-0028
TELEPHONE CONTACT: (615) 741-2286
FILE DATE/TIME: 05/16/08 1520
EFFECTIVE DATE/TIME: 05/16/08 1630 CONTROL NUMBER: 0059003

TENNESSEE HEALTH MGMT., INC. PO BOX 10

PARSONS, TN 38363

RE:

MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC. AMENDED AND RESTATED CHARTER

THIS WILL ACKNOWLEDGE THE FILING OF THE ATTACHED DOCUMENT WITH AN EFFECTIVE DATE AS INDICATED ABOVE.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR FILING, PLEASE REFER TO THE CORPORATION CONTROL NUMBER GIVEN ABOVE.

PLEASE BE ADVISED THAT THIS DOCUMENT MUST ALSO BE FILED IN THE OFFICE OF THE REGISTER OF DEEDS IN THE COUNTY WHEREIN A CORPORATION HAS ITS PRINCIPAL OFFICE IF SUCH PRINCIPAL OFFICE IS IN TENNESSEE.

FOR: AMENDED AND RESTATED CHARTER

ON DATE: 05/16/08

FROM: TENNESSEE HEALTH MGMT INC PO BOX 10

RECEIVED:

FEES \$20.00

\$0.00

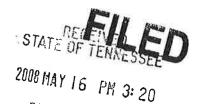
TOTAL PAYMENT RECEIVED:

PARSONS, TN 38363-0010

RECEIPT NUMBER: 00004410388 ACCOUNT NUMBER: 00513331

RILEY C. DARNELL SECRETARY OF STATE

AMENDED AND RESTATED CHARTER OF PULASKI MANOR, INC.



Pursuant to the provisions of Section 48-20-107 of the Tennessee Business Corporation hereby submits this Amended and Restated Charter and states follows:

- The name of the Corporation is Pulaski Manor, Inc.
- 2. The text of its Amended and Restated Charter is as follows:
- 1. The name of the Corporation is Meadowbrook Health and Rehabilitation Center, Inc.
- 2. The Corporation is authorized to issue 100,000 shares of stock (common, having no par value). These shares together shall have unlimited voting rights and full and equal rights to share in the profits of the Corporation and its net assets upon dissolution.
- 3. The street address of the registered office of the Corporation is 52 West Eighth Street, Parsons, Decatur County, Tennessee 38363, and the registered agent for the Corporation at that office is Jeffery D. Parrish.
- 4. The name and address of the incorporator is Jeffery D. Parrish, 52 West Eighth Street, Parsons, Decatur County, Tennessee 38363.
- 5. The street address of the principal office of the Corporation is 52 East Eighth Street, Parsons, Decatur County, Tennessee 38363.
 - 6. The Corporation is for profit.
 - 7. The Corporation elects to have preemptive rights.
 - 8. Indemnification.
 - (a) Generally. To the fullest extent allowed by the laws of the State of Tennessee, no present or future director, trustee or officer of the Corporation (or his or her estate, heirs, and personal representatives) shall be liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, trustee or officer of the Corporation. Any liability of a director, trustee or officer (or his or her estate, heirs, and personal representatives) shall be further eliminated or limited to the fullest extent allowed by the laws of the State of Tennessee, as may hereafter be adopted or amended. With respect to claims or liabilities arising out of service as a director, trustee or officer of the Corporation, the Corporation shall indemnify and advance expenses to each present and future director,

trustee and officer (and his or her estate, heirs, and personal representatives) to the fullest extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted or amended.

- (b) Third party actions. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, including all appeals by reason of the fact that he is or was a director, trustee or officer of the Corporation, against expenses (including attorneys' fees), judgments, decrees, fines, penalties, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.
- (c) Derivative actions. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit, including all appeals, by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, trustee or officer of the Corporation, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation. The termination of any action, suit or proceeding by judgment, order, or settlement shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Corporation.
- (d) Advances of expenses. Expenses of each person indemnified hereunder incurred in defending a civil, criminal, administrative, or investigative action, suit, or proceeding (including all appeals), or threat thereof, may be paid by the Corporation in advance of the final disposition of such action, suit, or proceeding as authorized by the Board of Directors, whether a disinterested quorum exists or not, upon receipt of an undertaking by or on behalf of the director, trustee or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation.

- (e) Non-exclusiveness; heirs. The indemnification provided in this section shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled as a matter of law or under this Charter, the Corporation's Bylaws, any agreement, vote of shareholders, any insurance purchased by the Corporation, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be director, trustee or officer and shall inure to the benefit of the heirs, executors, and administrators of such a person.
- (f) Purchase of insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, trustee, or officer of the Corporation against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Charter or of the Tennessee Business Corporation Act.
- 3. The reinstatement contains some amendments to the Charter which required shareholder approval, and such amendments, along with the Amended and Restated Charter itself, were duly adopted by the shareholders of the Corporation on April 25, 2008.

4. This Amended and Restated Charter supersedes the Corporation's original Charter and all prior amendments thereof.

By:

DATED the 25TH day of April, 2008.

Pulask Manor In

Name Jeffery D. Paris

Title: Secretary



Division of Business Services Department of State State of Tennessee 312 Rosa L. Parks AVE, 6th FL

Nashville, TN 37243-1102

Filing Information

Name: MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC.

General Information

SOS Control #

Filing Type:

000059003

For-profit Corporation - Domestic

11/02/1978 4:30 PM

Status: **Duration Term:**

Active Perpetual

Registered Agent Address

KEVIN NORWOOD

STE 200

201 JORDAN RD

FRANKLIN, TN 37067-4495

Formation Locale: TENNESSEE

Date Formed:

11/02/1978

Fiscal Year Close 12

Principal Address

1971 TENNESSEE AVE N PARSONS. TN 38363-5049

The following document(s) was/were filed in this office on the date(s) indicated below:

Date Filed Filing Description

Image #

03/26/2018 2017 Annual Report

B0521-1046

Registered Agent First Name Changed From: KELLY To: KEVIN

Registered Agent Last Name Changed From: THOMAS To: NORWOOD

Registered Agent Physical Address 1 Changed From: 1971 TENNESSEE AVE N To: 201 JORDAN RD

Registered Agent Physical Address 2 Changed From: No Value To: STE 200 Registered Agent Physical City Changed From: PARSONS To: FRANKLIN

Registered Agent Physical County Changed From: DECATUR COUNTY To: WILLIAMSON COUNTY

Registered Agent Physical Postal Code Changed From: 38363-5049 To: 37067-4495

03/27/2017 2016 Annual Report

B0371-1852

03/17/2016 2015 Annual Report

B0214-8461

03/23/2015 2014 Annual Report

B0074-0837

Principal Address 1 Changed From: 52 W 8TH ST To: 1971 TENNESSEE AVE N

Principal Postal Code Changed From: 38363-4656 To: 38363-5049 Registered Agent First Name Changed From: JEFFERY To: KELLY

Registered Agent Middle Name Changed From: D. To: No Value

Registered Agent Last Name Changed From: PARRISH To: THOMAS

Registered Agent Physical Address 1 Changed From: 52 W 8TH ST To: 1971 TENNESSEE AVE N

Filing Information

Name:	MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC.	
Registered /	Agent Physical Postal Code Changed From: 38363-4656 To: 38363-5049	
03/19/2014	2013 Annual Report	7306-0042
03/07/2013	2012 Annual Report	7161-0783
08/14/2012	Administrative Amendment	7085-1088
04/02/2012	2011 Annual Report	7041-2084
Principal Ad	dress 1 Changed From: 52 WEST EIGHTH ST To: 52 W 8TH ST	
Principal Po	stal Code Changed From: 38363 To: 38363-4656	
Principal Co	unty Changed From: No value To: DECATUR COUNTY	
03/16/2011	2010 Annual Report	6850-3130
Principal Ad	dress 1 Changed From: 52 EAST EIGHTH ST To: 52 WEST EIGHTH ST	
03/31/2010	2009 Annual Report	6692-2172
Principal Po	stal Code Changed From: 0000 To: 38363	
04/02/2009	2008 Annual Report	6505-0420
05/16/2008	Amended and Restated Formation Documents	6318-0028
Name Chan	ged	
Principal Ad	dress Changed	
Registered A	Agent Physical Address Changed	
_	Agent Changed	
	2007 Annual Report	6284-2287
02/23/2007	2006 Annual Report	5960-1818
02/07/2006	2005 Annual Report	5680-0359
01/25/2005	2004 Annual Report	5338-2207
02/25/2004	2003 Annual Report	5048-0528
Principal Ad	dress Changed	
Registered A	Agent Changed	
Mail Address	s Changed	
01/27/2003	2002 Annual Report	4710-2571
01/25/2002	2001 Annual Report	4403-0764
03/16/2001	2000 Annual Report	4150-0191
Principal Ad	dress Changed	
Mail Address	s Changed	
05/22/2000	Registered Agent Change (by Entity)	3905-1860
Registered A	Agent Physical Address Changed	
	Agent Changed	
	1999 Annual Report	3875-1066
03/31/1997	CMS Annual Report Update	3317-0268

7/10/2018 12:37:01 PM Page 2 of 3

Filing Information

Name:	MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC.
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Registered Agent Physical Address Changed		
Registered Agent Changed		
10/27/1993 Articles of Amendment	2	2750-0027
Shares of Stock Changed		
09/30/1993 Merger	2	2740-1888
Merged Control # Changed From: 000263966		
Merged Control # Changed From: 000059003		
04/13/1993 Articles of Amendment	2	2680-2076
Principal Address Changed		
Registered Agent Physical Address Changed		
03/16/1992 CMS Annual Report Update	2	2400-1771
Principal Address Changed		
06/16/1990 Administrative Amendment	-	YC/REVENU
	E	
Fiscal Year Close Changed		
11/02/1978 Initial Filing	C	042 00092
Active Assumed Names (if any)	Date	Expires

7/10/2018 12:37:01 PM Page 3 of 3

SECTION A: PROJECT DETAILS Attachment A-4 (Part 2)

Certificate of Corporate Existence from the Tennessee Secretary of State

American Health Companies, Inc. Tennessee Health Management, Inc.



Division of Business Services Department of State State of Tennessee 312 Rosa L. Parks AVE, 6th FL Nashville, TN 37243-1102

BRADLEY ARANT BOULT CUMMINGS LLP 1600 DIVISION STREET SUITE 700 NASHVILLE, TN 37203

January 11, 2018

Request Type: Certificate of Existence/Authorization

Request #:

0263065

Issuance Date: 01/11/2018

Copies Requested:

Document Receipt

Receipt #: 003737283

Filing Fee:

\$20.00

Payment-Credit Card - State Payment Center - CC #: 3718852931

\$20.00

Regarding:

AMERICAN HEALTH COMPANIES, INC.

Filing Type:

For-profit Corporation - Domestic

Formation/Qualification Date: 02/24/1984

Status:

Active

Duration Term:

Perpetual

Business County: DECATUR COUNTY

Control #:

138613

Date Formed:

02/24/1984

Formation Locale: TENNESSEE

Inactive Date:

CERTIFICATE OF EXISTENCE

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

AMERICAN HEALTH COMPANIES, INC.

- * is a Corporation duly incorporated under the law of this State with a date of incorporation and duration as given above;
- * has paid all fees, interest, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business:
- * has filed the most recent annual report required with this office;
- * has appointed a registered agent and registered office in this State;
- * has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Secretary of State

Processed By: Cert Web User

Verification #: 025931225



Division of Business Services Department of State State of Tennessee 312 Rosa L. Parks AVE, 6th FL Nashville, TN 37243-1102

BRADLEY ARANT BOULT CUMMINGS LLP 1600 DIVISION STREET SUITE 700 NASHVILLE, TN 37203

January 11, 2018

Request Type: Certificate of Existence/Authorization

Request #:

0263062

Issuance Date: 01/11/2018

Copies Requested:

Document Receipt

Receipt #: 003737255

Payment-Credit Card - State Payment Center - CC #: 3718852552

Filing Fee:

\$20.00 \$20.00

Regarding:

TENNESSEE HEALTH MANAGEMENT, INC.

Filing Type:

For-profit Corporation - Domestic

Formation/Qualification Date: 03/31/1993

Status:

Active

Duration Term:

Perpetual

Business County: DECATUR COUNTY

Control #:

264216

Date Formed:

03/31/1993

Formation Locale: TENNESSEE

Inactive Date:

CERTIFICATE OF EXISTENCE

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

TENNESSEE HEALTH MANAGEMENT, INC.

- * is a Corporation duly incorporated under the law of this State with a date of incorporation and duration as given above;
- * has paid all fees, interest, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;
- * has filed the most recent annual report required with this office;
- * has appointed a registered agent and registered office in this State;
- * has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Secretary of State

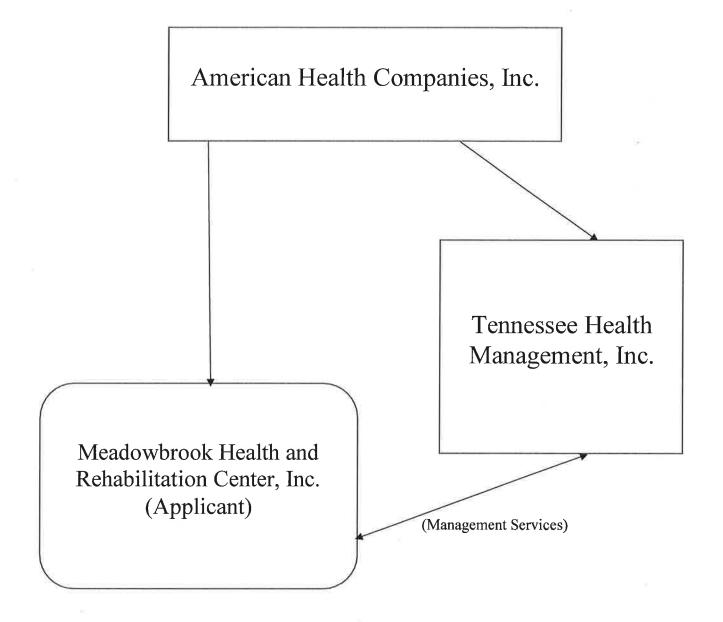
Processed By: Cert Web User

Verification #: 025930627

SECTION A: PROJECT DETAILS Attachment A-4 (Part 3)

Ownership Organizational Chart

Ownership Organizational Chart



SECTION A: PROJECT DETAILS Attachment A-5

Management Agreement

MANAGEMENT AGREEMENT

THIS AGREEMENT is made and entered into the 1ST day of January 2015 by and between MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC., a Tennessee corporation with offices at 1245 East College Street, Pulaski, Tennessee 38478 ("Operator"), and TENNESSEE HEALTH MANAGEMENT, INC., a Tennessee corporation with a principal office located at 1971 Tennessee Avenue North, Parsons, Tennessee 38363, ("Manager").

RECITALS:

WHEREAS, Operator operates a nursing facility located in Pulaski, Tennessee ("Facility");

WHEREAS, Manager is in the business of providing management and consulting services to and on behalf of long term care facilities focused on the senior population; and

WHEREAS, Operator desires to engage Manager to manage the operation of the Facility for and on behalf of Operator and Manager is agreeable to such engagement.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties agree as follows:

AGREEMENT:

- 1. Engagement. Operator hereby appoints and engages Manager, and Manager hereby accepts said appointment and engagement, to supervise and direct the management and operation of the Facility upon the terms and conditions set forth herein.
- 2. Term. The Term of this Agreement shall be for the period commencing upon the date hereof and ending on the third (3rd) annual anniversary from that date. This Agreement shall automatically renew for successive one (1) year Renewal Terms unless notice is given in writing by either party to the other at least sixty (60) days prior to the expiration of the original Term or any Renewal Term or any other mutually agreed-to extensions.

3. Services of Manager.

- 3.1 On behalf of Operator, Manager shall have the responsibility, and commensurate authority, to manage and supervise the operations of the Facility. Manager agrees to manage the Operator at a level and in a manner in compliance with Facility professional standards for the operation of similar or like facilities in the State of Tennessee. Notwithstanding anything herein to the contrary, the Operator's Administrator shall have the requisite power and authority to operate the Facility as shall be required by the State of Tennessee at the minimum level of power and authority to be possessed by the licensed Operator and Administrator of a Facility in the State of Tennessee.
- 3.2 Manager is authorized to make and enter into in the name of Operator all such contracts and agreements for the purchase of supplies and equipment as are necessary for the operation and

maintenance of the Facility; Manager is hereby authorized to enter into all or any contracts in the name of and on behalf of Operator when in the opinion of Manager they will assist the better operation of the Facility; Manager shall be vested with broad discretion as to the terms of such agreements; Manager is clothed with such general authority and powers as may be necessary to carry out the spirit and intent of this Agreement; however, Manager must obtain the consent of Operator before entering into any contract for maintenance, repair, or replacement of any part of the Facility or any furniture, fixture, or equipment if the amount payable thereunder exceeds the sum of TWENTY FIVE THOUSAND AND NO/100 DOLLARS (\$25,000.00) which consent shall not be unreasonably withheld.

- 3.3 Manager agrees to interview, hire, supervise and direct on behalf of Operator the work of the Administrator in the operation of the Facility. Manager shall be vested with full authority to make recommendations to the Operator's Board of Directors to terminate the employment of any Administrator or to hire a replacement Administrator with the approval of Operator as Manager deems appropriate. Manager agrees to supervise and direct the Administrator to negotiate wages and salaries for Operator's employees comparable to those being paid elsewhere in the locality for similar positions in the Facility business. It is expressly understood and agreed that all employees employed in the course of the Facility operation shall be employees of Operator. Manager shall in no way be liable to employees for their salaries, wages, or other compensation, or terms and conditions of employment, and Manager shall not be responsible to Operator or to any third parties for any acts or omissions of such employees whether such act or omission occurs in the course of employment or not. It is expressly understood and agreed that the Facility's Administrator and all of Operator's employees are subject to the direction of Manager and shall be accountable to it in their employment by Operator.
- Manager shall prepare and make available to Operator, for its approval each calendar month of the Term or Renewal Term, monthly and cumulative financial statements and balance sheets for the preceding month. Manager shall prepare and make available to Operator for its approval cumulative financial statements and balance sheets for each twelve (12) months of the Term or Renewal Term (or shorter period if the Term is ended at other than the end of such twelve (12) month period), no later than seventy-five (75) days after the end of each such twelve (12) month (or shorter) period. Manager shall establish and implement bookkeeping and accounting procedures necessary for the preparation of financial records, in accordance with the operating capital and cash flow management programs developed by Manager, which programs shall produce reasonably reliable financial data. On behalf of Operator and at Operator's expense, Manager, with Operator's input and approval which approval shall not be unreasonably withheld, shall engage an accounting firm with Facility expertise and which is familiar with Manager's systems and records to prepare all necessary audits and third-party cost reports. Operator shall cooperate with and assist in the preparation of such audits and third-party cost reports.
- 3.5 Manager will provide internal and, through contracted third-party administrators, external administration of Operator's employees' employee benefit plans.
- 3.6 Manager will provide consulting services to Operator in the following practice areas best practices, quality improvement, nursing, dietary, third party and private pay billing, payment of accounts, nursing and operations policies and procedures, and physical plant maintenance,

improvement and services, accounting and finance, compliance, administration of workers' compensation claims, employee benefits, payroll, health care management, human resources, information technology, employee training, and document management.

- 3.7 Manager will provide internal and, through third-party legal counsel, external legal services to Operator.
- 3.8 Manager will provide consulting services to Operator in regard to Operator's insurance coverages.

4. Responsibilities of Operator.

- 4.1 Operator shall at all times: (i) be and remain legally organized and operated in a manner consistent with all Tennessee and federal laws, rules and regulations; (ii) be and remain eligible to participate in all federally-funded health care programs, including, without limitation, Medicare and Medicaid; (iii) have within its engagement a sufficient number employees, equipment, supplies and/or vehicles necessary or desirable to meet the requirements of this Agreement; and (iv) discharge the duties of this Agreement in a timely, efficient and appropriate manner.
- 4.2 Operator shall furnish all equipment and install in the Facility all such furniture, fixtures, and equipment and shall supply all such products and items of a consumable nature so as to make the Facility operational to the satisfaction of Manager at the commencement of the Agreement.
- 4.3 All operations cost and expense of every kind and nature ("Operating Expenses") shall be incurred in the name of Operator, shall be the sole responsibility of Operator, and shall be payable by Operator in the manner set out in Section 4.5 hereof.
- 4.4 The costs, fees, compensation and other remuneration of any persons engaged by Manager on behalf of Operator, including, but not limited to, the Administrator and those third-parties referenced in Section 3 hereof, shall be a usual and ordinary Operating Expense and shall not be payable by Manager.
- 4.5 Operator shall provide sufficient working capital and maintain sufficient bank balances or bank line of credit to pay all usual and ordinary Operating Expenses. Operator shall be solely responsible for all Operating Expenses. At the request of Manager and to the extent required to provide adequate working capital to Manager to pay Operating Expenses, Operator shall deposit funds into the Facility's banking account utilized for that purpose. Manager shall in no way be liable for Operating Expenses, and may immediately terminate this Agreement upon notice of deficient working capital as provided in Section 11.2 below.
- 4.6 Upon Manager's request, Operator agrees to reimburse Manager for all reasonable food, travel, and lodging expenses when Managers' employees or representatives travel to the Facility particularly in the event of any necessary, extraordinary periods of stay.
- 4.7 It is Operator's intent to operate the Facility in an appropriate and quality care oriented manner and in so doing it commits to providing Manager with prompt responses and unambiguous

guidance as to the Facility's operations. Operator shall fully cooperate with Manager and do all things reasonably necessary and convenient to obtain and maintain all licenses, Medicare and Medicaid certifications and accreditations that are necessary for the Facility to operate as a Facility and to be reimbursed therefore; and to provide all necessary repairs, renewals, replacements and additions to the Facility. Operator shall give timely consents necessary to develop and implement operating and employment procedures for the Facility.

- 4.8 Operator will comply with all federal and state laws and regulations concerning individual civil rights and will not discriminate against any persons on the basis of race, creed, color, religion, national origin, sex, age, disability or veteran status in connection with any activity carried on by Operator or its designees for or concerning Operator or patients of the Facility affecting the care and treatment of patients or otherwise.
- 4.9 All proceedings, files, records, and related information of Manager pertaining to the provision of management services hereunder shall be maintained by and are the property of Manager and shall be kept strictly confidential by Operator and each individual acting on behalf of Operator. Neither Operator nor any individual acting on behalf of Operator shall voluntarily disclose such confidential information, either orally or in writing, except as expressly required or permitted by law, for professional liability insurance purposes or for defense of a professional liability claim, or pursuant to a written authorization of Manager. This covenant shall survive the expiration or termination of this Agreement for any reason. Operator shall immediately notify Manager of any such disclosures, whether involuntary or voluntary, in writing.
- 5. Banking. All monies received by Operator or Manager on behalf of Operator in the course of the operation of the Facility shall be deposited into a banking account in an institution where deposits are insured by an agency of the U. S. Government. Cash disbursements by Operator or Manager on behalf of Operator in the course of its management and operation of the Facility shall be made from said account. Manager shall be a co-signatory on all such accounts. Operator shall not make any disbursements from said account(s) greater than Five Hundred Dollars (\$500.00) outside the ordinary course of business without Manager's consent. Nothing herein contained, however, shall be construed so as to deprive Operator from the right to maintain cash and to make payments therefrom as the same are generally understood and employed in the Facility business, and to make cash disbursements from surplus funds, to fund reserve accounts, to make improvements to the Facility, and to make debt reduction payments, all with the prior consent of Manager.
- 6. Compensation of Manager/Management Fee. Operator agrees to pay Manager as its Management Fee hereunder SIX PERCENT (6%) of the Operator's monthly gross operating revenues for each month during the Term and any Renewal Term; payment of the Management Fee shall be made on or before the 10th day of the following month. Such compensation shall accrue from the date hereof.
- 7. Access to Facility and its Books and Records. Operator shall, during the Term and any Renewal Term, give Manager complete and unrestricted access to the Facility, its books, records, offices, employees, and facilities, in order that Manager may carry out its duties hereunder.

8. Indemnity and Insurance.

8.1 <u>Indemnity</u>. Operator agrees:

- (i) to hold and save Manager, its officers, directors, agents, employees, shareholders, affiliates, successors, and assigns free and harmless from all damages for any injuries to any persons or property by reason of any cause whatsoever either in or about the premises or elsewhere specifically including but not limited to any claim arising out of or related to Manager's management of Facility;
- (ii) to reimburse Manager, its officers, directors, agents, employees, shareholders, affiliates, successors, and assigns, upon demand for any expenses which they may incur for any reasons whatsoever, either in connection with or as an expense in defense of, any claim, civil or criminal action, proceeding, charge or prosecution made, instituted or maintained against Manager or Operator and Manager jointly or severally, arising out of or related in any way to the condition, use, or operation of the Facility, any act or omission of Manager or Operator, or employees of Operator or Manager, or based upon any law, regulation, requirement, contract or award relating to the hours of employment, terms and conditions of employment, wages and/or compensation of employees or former employees of Operator;
- (iii) to defend promptly and diligently, at Operator's sole expense, any claim, action or proceeding brought against Manager or Operator and Manager jointly or severally arising out of or connected in any way with any of the foregoing, and to hold harmless and fully indemnify Manager, its officers, directors, agents, employees, affiliates, successors, and assigns from any judgment or loss of settlement on account thereof. It is expressly understood and agreed that the foregoing provisions of this section shall survive the expiration or termination of the Agreement, and this expression shall not be construed to mean that Operator's liability does not survive as to any other provisions of the Agreement.
- 8.2 <u>Insurance</u>. Operator shall maintain, and Manager may negotiate and obtain on behalf of Operator, insurance covering all risks normally and customarily insured by psychiatric Facilitys, including but not limited to, property/casualty insurance, general and professional liability coverage in the minimum amount of One Million Dollars (\$1,000,000) each claim/ Three Million Dollars (\$3,000,000) annual aggregate, steam boiler, payroll holdup, employee dishonesty bonds, patient trust surety bonds, and all statutorily required coverage, specifically including workers' compensation, all insurance coverages in such amounts as determined adequate by Manager. All insurance policies and fidelity bonds shall name Manager as a co-insured and American Health Companies, Inc. as an additional co-insured and shall not be cancelable except upon thirty (30) days prior written notice to Manager. The cost of all such policies shall be deemed a usual and ordinary Operating Expense.
- 9. Policy and Procedure Manuals. Manager has provided a recommended Policy and Procedure Manuals for the Facility's operations. Operator acknowledges and agrees that Policy and Procedure Manuals shall at all times remain the property of Manager. Operator hereby approves and adopts Manager's Policy and Procedure Manuals for the Operator.

- 10. Non-Solicitation of Manager's Employees. Operator hereby agrees that after termination of this Agreement for any reason that it will not solicit the employment of or employ any employee or representative of Manager for a period of two (2) years.
- 11. Termination of Agreement. This Agreement shall terminate upon the occurrence of any one of the following events:
- 11.1 Expiration of the original Term or any Renewal Term with proper notice;
- 11.2 The breach of either party of any substantive obligation created by this Agreement, and the non-breaching party provides the breaching party notice of termination; provided, however, such termination shall not be effective if the breach is capable of cure and the breaching party, within ten (10) calendar days after receipt of such notice, takes and continues thereafter to take all steps reasonably necessary to cure such breach, in which case, the non-breaching party may terminate this Agreement on further written notice if the breaching party ceases to continue to take such efforts;
 - (a) Events of Breach. Events of Operator's breach of a substantive obligation created by this Agreement, unless waived by Manager in writing, would include, but not be limited to, the following:
 - (1) Operator fails to pay, when due, any of the amounts specified herein;
 - (2) Operator fails to provide sufficient working capital to pay all usual and ordinary Operating Expenses;
 - (3) Any material misrepresentation by the Operator either in writing or orally, made to the Manager which is proven to be untrue as of the date the statement, either oral or in writing, was made.
 - (4) At the Manager's discretion, upon the entry or filing of any uninsured final judgment, final writ or final warrant of attachment or of any similar process in an amount in excess of \$500,000.00, whether against the Operator or against any of the property or assets of the Operator and failure of the Operator to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 60 days or failure to pay or satisfy such judgment within 60 days;
 - (5) The Operator (a) shall generally not pay or shall be unable to pay its debts as such debts become due; or (b) shall make an assignment for the benefit of creditors or petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (c) shall commence a proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (d) shall have had any such petition or application filed or any such proceeding commenced against it in which an order for relief is entered or an adjudication or appointment is made; or (e) shall

indicate, by any act or omission, its consent to, approval of or acquiescence in any such petition, application, proceeding or order for relief or the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (f) shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of sixty (60) days or more;

- (6) The Operator shall be liquidated, dissolved, partitioned or terminated; or
- (7) The Operator shall default in the timely payment or performance of any other obligation now or hereafter owed to Manager subject to applicable grace periods, if any.
- 11.3 If the Facility, or any substantial part thereof, shall be damaged or destroyed by fire or other casualty, and Operator elects not to reopen the Facility and provides Manager notice of termination.

12. Compliance with Federal and State Health Care Programs.

- 12.1 All references in this Agreement to "Medicare regulations" and all citations of "Sections" in this Section 12 refer to those regulations contained at 42 Code of Federal Regulations, applicable to psychiatric Facilitys, as those Sections now exist or as those Sections may be subsequently renumbered or revised.
- 12.2 Manager and Operator specifically recognize that it is Operator's intent to provide services to patients covered by Federal and State health care programs and that each has an obligation to comply with the requirements of the these programs for payment for services provided by Operator, to the extent that such services are provided pursuant to this Agreement. Each party hereby agrees to cooperate with the other in order to assure that these requirements are met.
- Until the expiration of five (5) years after the termination of this Agreement, the parties 12.3 shall make available, upon request of the Secretary of the Department of Health and Human Services or the Comptroller General of the United States, Tennessee Bureau of TennCare, state comptroller's office, or any governmental regulatory agency or any of their duly authorized representatives, this Agreement and such books, documents, and records as are reasonably necessary to certify the nature and the costs of the services rendered pursuant to this Agreement. If a party carries out any of the duties of this Agreement through a subcontract, with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve (12) month period with a related organization, such subcontract shall contain a clause to the effect that until the expiration of five (5) years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request of the Secretary of the Department of Health and Human Services or upon request of the Comptroller General of the United States, or any of their duly authorized representatives, the subcontract, books, documents, and records of such organization that are necessary to verify the nature and extent of the cost of services provided pursuant to said subcontract. This Section shall survive the expiration or termination of this Agreement for any reason.

12.4 The parties hereby represent and warrant that neither them nor any person engaged by them is, and at no time has been, excluded from participation in any federally-funded health care program, including Medicare and Medicaid.

13. Compliance with HIPAA Requirements.

- 13.1 For purposes of this Section, the term "Protected Health Information" shall include all individually identifiable health information as defined by the Health Insurance Portability and Accountability Act of 1996 and the regulations promulgated thereunder (collectively, "HIPAA"). The terms and provisions of this Section shall apply only to Protected Health Information transmitted by Operator to Provider and maintained by Operator or Provider, regardless of form.
- Operator and Provider agree that Protected Health Information shall be disclosed to each other, as the case may be, solely for purposes of treatment, payment, and applicable health care operations activities and that such disclosures shall be made in compliance with 45 C.F.R. § 164.506.
- 13.3 Operator shall notify Manager of any expiration or revocation of an authorization previously received by Operator from a patient. Upon notification, Provider shall destroy or return to Operator all Protected Health Information related to the patient.
- 13.4 Manager represents and warrants to Operator that it will not use the Protected Health Information disclosed to it, nor will it disclose such Protected Health Information to others, except as this Agreement specifically permits and in compliance with the requirements of HIPAA and such additional requirements, if any, that state law imposes. Manager further represents and warrants that it will:
 - (a) Not use or further disclose Protected Health Information provided by Operator other than as permitted or required by this Agreement or as required by law;
 - (b) Use appropriate safeguards to prevent use or disclosure of Protected Health Information other than as provided for by this Agreement;
 - (c) Report to Operator any use or disclosure of Protected Health Information not provided for by this Agreement of which it becomes aware;
 - (d) Mitigate, to the extent practicable, any harmful effects of a use or disclosure of Protected Health Information by Provider in violation of this Agreement of which it is aware;
 - (e) Ensure that any agents, including a subcontractor, to whom it provides Protected Health Information received from Operator or created or received by Manager on behalf of Operator, agree to the same restrictions and conditions that apply to Provider through this Agreement with respect to such Protected Health Information. This provision in no way, however, serving as an authorization by Operator for Manager to disclose such Protected Health Information to an agent or subcontractor;
 - (f) Provide access to Protected Health Information in a Designated Record Set, at the request of Operator and in the time and manner specified by Operator, to Operator or a patient designated by Operator.

- (g) Make any amendment(s) to Protected Health Information in a Designated Record Set that Operator directs or agrees to pursuant to at the request of Operator or a patient, such amendment(s) to be completed in the time and manner specified by Operator;
- (h) Document disclosures of Protected Health Information and information related to such disclosures as would be required for Operator to respond to a request by a patient for an accounting of disclosures.
- (i) Provide to Operator or a patient, in a time and manner specified by Operator, information collected in accordance with Section 13.2 of this Agreement, to permit Operator to respond to a request by a patient for an accounting of disclosures.
- (j) Make its internal practices, books, records and related information relating to the use and disclosure of Protected Health Information, available to the Secretary of the Department of Health and Human Services of the United States of America for purposes of determining Operator's compliance with HIPAA; and
- (k) At termination of this Agreement, if feasible, return or destroy all Protected Health Information that Manager, its agents and subcontractors, if any, maintain in any form and retain no copies of such information or, if such return or destruction is not feasible, extend the protections of this Agreement to the Protected Health Information and limit further uses and disclosures to those purposes that make the return or destruction of the information infeasible, for so long as Manager maintains such Protected Health Information.
- 13.5 In the event either party violates any of its representations and warranties with respect to Protected Health Information, the other party may immediately terminate this Agreement if the party in violation has not taken corrective action within ten (10) days of written notice from the other party of such violation to provide reasonable assurance that such violation is not likely to occur again. In the event of such a termination by either party, the obligations of confidentiality set forth in this Agreement and the obligations concerning the use and return of Protected Health Information shall continue in full force and effect. If neither termination nor cure is feasible, the non-violative party shall report the violation to the Secretary of the Department of Health and Human Services of the United States of America.
- 13.6 In the event Manager destroys Protected Health Information pursuant to any provision of this Agreement, Manager shall provide written certification of each instance of destruction within ten (10) days of the date of destruction.
- 14. Independent Contractor. In the performance of its obligations under this Agreement, it is mutually understood and agreed that Manager is at all times acting and performing as an independent contractor with respect to Operator. Manager must exercise at all times its independent judgment and shall not be subject to direction, control, or supervision by Operator in the performance of the services which are the subject of this Agreement, except that Manager and persons acting on behalf of Manager shall be subject to the standards set forth in this Agreement. Nothing in this Agreement is intended, nor shall be it construed to create an employer/employee relationship, joint venture relationship, or a lease or landlord/tenant relationship. Neither Operator nor any of its employees, agents, or subcontractors shall have any claim under this Agreement or otherwise against Manager for workers' compensation, unemployment compensation, vacation pay, sick leave, retirement benefits, Social Security benefits, disability insurance benefits,

unemployment insurance benefits, or any other benefits. Manager shall not withhold, or in any way be responsible for, the payment of any federal, state, or local income taxes, F.I.C.A. taxes, F.U.T.A. taxes, unemployment compensation or workers' compensation contributions, Social Security, or any other payments or withholdings pursuant to any law or requirement of any governmental body/agency on behalf of Operator or any of its employees, agents, or subcontractors, and all such withholdings, payments, or obligations shall be the sole responsibility of Operator. Operator shall indemnify, defend, and hold harmless Manager from any and all loss or liability arising with respect to such payments, withholdings, obligations, and benefits. In the event that the Internal Revenue Service ("IRS") or other governmental body/agency should question or challenge the independent contractor status of Manager, Manager shall have the right to participate in any discussion or negotiation occurring with the IRS or other such governmental body/agency, irrespective of by whom such discussions or negotiations were initiated. This Section shall survive the expiration or termination of this Agreement for any reason.

15. General Provisions.

- Cumulation of Remedies. Except as expressly provided herein, the various rights, options, elections, powers, and remedies of the respective parties hereto contained in, granted, or reserved by this Agreement, are in addition to any others that said parties may be entitled to by law, shall be construed as cumulative, and no one of them is exclusive of any of the others, or of any right or priority allowed by law.
- 15.2 <u>Attorneys' Fees</u>. In the event that any action is brought by either party to enforce or interpret the terms of this Agreement, the prevailing party in such action shall be entitled to its costs and reasonable attorneys' fees incurred therein from the non-prevailing party, in addition to such other relief as the court may deem appropriate.
- Notices. All notices or other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been delivered to a party upon personal delivery to that party or: (i) one (1) business day following electronically confirmed delivery by facsimile transmission to the telephone number provided by the party for such purposes, if simultaneously mailed as provided herein; (ii) one (1) business day following deposit for overnight delivery with a bonded courier holding itself out to the public as providing such services, with charges prepaid; or (iii) three (3) business days following deposit with the United States Postal Service, postage prepaid, and in any case addressed to the party's address set forth below, or to any other address that the party provides by notice, in accordance with this Section, to the other party:

If to Operator: Meadowbrook Health and Rehabilitation Center, Inc.

Attention: Wayne Schumann 1245 East College Street Pulaski, Tennessee 38478

Fax: 931-424-9875

If to Manager:

Tennessee Health Management, Inc.

Attention: Kelly Thomas, General Counsel

P.O. Box 10

Parsons, TN 38363 Fax: 731-847-4200

- 15.4 <u>Assignment</u>. Operator shall not have the right or the power to assign this Agreement nor any of the rights or obligations inuring to or imposed upon it herein, and any attempted or purported assignment shall be null and void and of no effect.
- 15.5 <u>Binding on Successors and Assigns</u>. Notwithstanding anything to the contrary in this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permissible assigns.
- 15.6 <u>No Third Party Rights</u>. Nothing in this Agreement shall be construed as creating or giving rise to any rights in any third parties or any persons other than the parties hereto.
- 15.7 <u>Waiver</u>. Any waiver of any term or condition of this Agreement must be in writing and signed by the parties. No delay or failure by either party to exercise any right or remedy it may have under this Agreement shall operate as a continuing waiver of such right or remedy, or prejudice such party's right to insist upon full compliance by the other party with the terms of this Agreement.
- 15.8 <u>Headings</u>. The headings contained in this Agreement are for convenience of reference only and shall in no way be held or deemed to be a part of or affect the interpretation of this Agreement.
- 15.9 <u>Related Documents</u>. All Related Documents referred to in this Agreement are incorporated herein by reference.
- 15.10 <u>Severability</u>. The provisions of this Agreement shall be deemed severable and if any portion shall be held invalid, illegal, or unenforceable for any reason, the remainder of this Agreement shall be effective and binding upon the parties.
- 15.11 Entire Agreement. This Agreement and the Related Documents provided in connection herewith contain the sole and entire agreement between the parties regarding the subject matter hereof, and supersede any and all prior agreements between the parties. The parties acknowledge and agree that neither of them has made any representations with respect to the subject matter of this Agreement, or any representation inducing the execution and delivery hereof, except such representations as are specifically set forth and/or referenced herein, and each of the parties hereto acknowledges that it has relied on its own judgment in entering into the same.
- 15.12 <u>Amendments</u>. This Agreement may be amended at any time by mutual agreement of the parties without additional consideration, provided that before any amendment shall become effective, it shall be reduced to writing and signed by each of the parties.

- 15.13 <u>Governing Law</u>. The validity, interpretation, and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.
- 15.14 <u>Continuing Obligations</u>. Whether specifically identified or not, the obligations of the parties under this Agreement which by their nature or content would continue beyond the expiration or termination of this Agreement shall survive any expiration or termination of this Agreement.
- 15.15 Authority to Execute. Each party has been represented by counsel in the negotiation and execution of this Agreement. This Agreement was executed voluntarily without any duress or undue influence on the part of or on behalf of the parties hereto. The parties acknowledge they have read and understood this Agreement and its legal effect. Each party acknowledges it has had a reasonable opportunity to obtain independent legal counsel for advice and representation in connection with this Agreement. Each party further acknowledges that it is not relying on and it is not, for the purposes of the negotiation, execution and delivery of this Agreement, a client of the legal counsel employed by any other parties to this Agreement. Each of the undersigned represents and warrants that he/she has the authority to execute this Agreement on behalf of the respective party and that such action has been properly authorized.
- 15.16 Confidentiality. This Agreement is confidential and may only be disclosed to the parties hereto, government agencies, and the parties' insurance carriers, accountants, and lawyers, or as agreed upon by the parties hereto in writing, or as required by law. Each party shall treat all nonpublic information obtained as part of this engagement as confidential and shall not, without written authorization from the other party, release or share such information with any third party, except as may be required by law. Each party agrees that prior to reporting any actual or perceived violation of law to any governmental entity, even if required by law to do so, they will first discuss any potential legal or compliance matter with the other party and, unless otherwise required by law, provide the other party with an opportunity to investigate and appropriately report any compliance matter brought to its attention.
- 15.17 <u>Counterparts</u>. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute one and the same instrument.
- 15.18 Forum Selection. This Agreement has been negotiated and entered into and shall be performed on behalf of the Operator which is domiciled in the State of Tennessee, and shall be governed by and interpreted and construed in accordance with and pursuant to the laws of the State of Tennessee. Any action or proceeding between or against the parties hereto relating in any way to this Agreement, or the subject matter hereof, shall be brought and enforced exclusively in either the federal or state courts with jurisdiction for Decatur County, Tennessee, and the parties hereto consent to the exclusive jurisdiction of such court in respect of such action or proceeding.

IN WITNESS WHEREOF, the parties hereto have caused this Management Agreement to be duly executed and delivered by their respective duly elected and authorized officers as of the date first above written.

Operator:

MEADOWBROOK HEALTH AND REHABILITATION

CENTER, INC.

By:

Wayne Schumann Title: Administrator

Manager:

TENNESSEE HEALTH MANAGEMENT, INC.

By:

Bruce Buchanan

Title: Chief Executive Officer

THMLegal/MgmtAgrmt/SNF10.9.15

Amendment to Management Agreement

This Amendment to Management Agreement ("Amendment") amends the Management Agreement ("Agreement") between Tennessee Health Management, Inc. ("Manager") and each entity ("Operator") named on Attachment A hereto, effective as of April 1, 2016.

Whereas, Manager and Operator are affiliated entities:

Whereas, Manager and Operator entered into the Agreement so that Manager could provide to Operator the benefit of Manager's expertise in the management and administration of health care facilities:

Whereas, the Management Agreement provides for Manager to be paid six percent (6%) of Operator's monthly gross operating revenues for each month during the term of the Agreement;

Whereas, Manager and Operator agreed orally in April 2016 that Manager would be paid up to seven (7%) of Operator's monthly gross operating revenues (the "Management Fee") for each month during the term of the Agreement;

Whereas, Manager and Operator agreed that Manager could adjust the Management Fee down from seven percent (7%) or up to seven percent (7%) at various times within the year at Manager's discretion, taking into account Operator's cash flows, capital requirements, tax liabilities and results of operations, as well as those of the other affiliated Operators, to maximize efficiencies within the affiliated group of Operators;

Whereas, Manager and Operator have conducted business in accordance with their oral agreement, and now wish to reduce their oral agreement to writing.

Now, therefore, in consideration of the premises, Manager and each named Operator agree as follows:

- 1. <u>Amendment</u>. The Management Agreement shall be amended at Section 6 by deleting the existing Section 6 and inserting in lieu thereof, the following:
 - 6. Compensation of Manager/Management Fees. Operator agrees to pay to Manager as its Management Fee hereunder up to Seven Percent (7%) of Operator's monthly gross operating revenues, or such lesser amount as Manager may deem appropriate from time to time, for each month during the Term and any Renewal Term; payment of the Management Fee shall be paid on or before the 10th day of the following month. The amount of the Management Fee determined by the Manager from time to time shall be evidenced by notation in the books and records of the Operator maintained in the ordinary course of business.
 - No Further Amendment; Ratification of Agreement as Amended. The Amendment set forth
 above is the sole amendment to be made hereby. The Agreement as so amended is hereby
 confirmed and ratified as one unified agreement between Manager and Operator.

IN WITNESS WHEREOF, this Amendment is executed and delivered by the undersigned to be effective as of April 1, 2016, being entered into on March 10, 2017.

Tennessee Health Management, Inc.

On behalf of each of the following Operators:

Applingwood Healthcare Center, Inc.

Bright Glade Health and Rehabilitation Center, Inc.

Bethesda Health Care Center, Inc.

Clarksville Nursing and Rehabilitation Center, Inc.

Covington Care Nursing and Rehabilitation Center, Inc.

Crestview Health Care and Rehabilitation, Inc.

Cumberland Health Care and Rehabilitation, Inc.

Decatur County Health Care and Rehabilitation, Inc.

Dyersburg Nursing and Rehabilitation, Inc.

Forest Cove Nursing and Rehab Center, Inc.

Harbor View Nursing and Rehabilitation Center, Inc.

Humboldt Healthcare and Rehab Center, Inc.

Lewis County Nursing and Rehabilitation Center, Inc.

Lexington Health Care and Rehabilitation, Inc.

McKenzie Health and Rehabilitation Center, Inc.

McNairy County Health Care Center, Inc.

Meadowbrook Health and Rehabilitation Center, Inc.

Millennium Nursing and Rehab Center, Inc.

Mt. Juliet Health Care Center, Inc.

Northside Health Care Nursing and Rehabilitation Center, Inc.

Northbrooke Healthcare and Rehab Center, Inc.

Paris Health Care Nursing and Rehabilitation Center, Inc.

Savannah Health Care and Rehabilitation Center, Inc.

Union City Nursing and Rehabilitation Center, Inc.

VanAyer Healthcare and Rehab Center, Inc.

Vanco Health Care Nursing and Rehabilitation, Inc.

Waverly Health Care and Rehabilitation Center, Inc.

West Tennessee Transitional Care, Inc.

Westwood Health Care and Rehabilitation Center, Inc.

SECTION A: PROJECT DETAILS Attachment A-6A (Part 1)

Property Documentation /
Interest in Site

THIS INSTRUMENT PREPARED BY: PAUL B. PLANT, ATTY. AT LAW 225 MAHR AVENUE LAWRENCEBURG, TN. 38464 FILE #18347

FROM:

NERMEIN MOHAMED LOTFY, A MARRIED PERSON

TO:

AMERICAN HEALTH PROPERTIES, INC., A TENNESSEE CORPORATION

WARRANTY DEED

For and in consideration of the sum of TWO HUNDRED EIGHTY THOUSAND AND NO/100---(\$280,000.00)---DOLLARS, cash in hand paid, the receipt of which is hereby acknowledged, I, NERMEIN MOHAMED LOTFY, A MARRIED PERSON, have bargained and sold, and by these presents, do transfer and convey unto the said, AMERICAN HEALTH PROPERTIES, INC., A TENNESSEE CORPORATION, its successors and assigns, a certain tract or parcel of land located in Giles County, Tennessee, being more fully described as follows:

TRACT 1:

A certain tract of land located in the 7th Civil District of Giles County, Tennessee, and described as follows:

BEGINNING at an iron pin in the North margin of U. S. Highway 64, and southwest corner of this tract, said pin being 20 feet east of a fence post the southwest of Williams, and the southeast corner of Fitzgerald; thence leaving the highway with a line 20 feet east of Williams-Fitzgerald line (the west line of this tract), N 5 degrees, 32 minutes, E 375.00 feet, an iron pin, the northwest corner of this tract, (20 feet east of the Williams-Fitzgerald line fence); thence with the lands of Williams, the north line of this tract, S 84 degrees, 28 minutes E 290.7 feet, an iron pin, the northeast corner of this tract; thence S 5 degrees, 42 minutes W 450.0 feet, an iron pin at a fence post in the north margin of Highway 64, the southeast corner of this tract; thence with the fence and highway margin, N 63 degrees, 45 minutes W 113.0 feet, a fence post; thence N 73 degrees, 40 minutes W 187.0 feet to the point of beginning. The surveyed tract contains 2.70 acres, more or less.

This being the same property conveyed to Rana-Ramy, Inc., by General Warranty Deed dated August 27, 2004, from William Harwell Murrey, of record in Deed Book 316, Page 361, Register's Office of Giles County, Tennessee.

TRACT 2:

A certain tract of land lying in the 7th Civil District of Giles County, Tennessee, on the north side of East College Street and being more fully described as follows:

Beginning at an iron rod at a fence post corner in the north margin of East College Street, the said rod being the southeast corner of Martin Methodist College (DB 289, Pg. 342) and the southwest corner of the said tract; thence leaving the said rod with an existing fence North 05 degrees 32 minutes 00 seconds East 592.29 feet to a point in the centerline of a branch, the said point being the northwest corner of the said tract; thence leaving the said rod with the centerline of the branch, North 81 degrees 21 minutes 11 seconds East 181.56 feet, North 73 degrees 24 minutes 58 seconds East 69.72 feet, North 81 degrees 12 minutes 17 seconds East 260.12 feet to a point in the said branch, the said corner being the northeast corner of the said tract; thence leaving the said point with an existing fence, South 21 degrees 08 minutes 40 seconds East 152.57 feet (steel post), South 03 degrees 43 minutes 13 seconds East 443.75 feet to an iron rod at a fence post corner, the said rod being a corner of the said tract; thence leaving the said rod with an existing fence and marked line, North 80 degrees 11 minutes 43 seconds West 247.04 feet to an iron rod; thence leaving the said rod with a new division line, South 12 degrees 46 minutes 48 seconds West 273.50 feet to an iron rod at a fence post in the north margin of East College Street, the said rod being the southeast corner of the said tract; thence leaving the rod with the said margin, North 57 degrees 29 minutes 57 seconds West 47.70 feet to an iron rod, the said rod being the southeast corner of Akram Haggag,; thence with Haggag, North 05 degrees 42 minutes 00 seconds East 450.00 feet (iron rod), North 84 degrees 28 minutes 00 seconds West 290.70 feet (iron rod), South 05 degrees 32 minutes 00 seconds West 375.00 feet to an iron rod in the north margin of East College Street; thence with the said street, North 75 degrees 14 minutes 52 seconds West 20.00 feet to the point of beginning and containing 5.76 acres, more or less.

Description according to survey of Thomas A. Campbell, II, TRLS #978, dated August 16, 2004, Job No. TC0436.

Subject to an easement to Gene Brannon for sewer lines in Trust Book 135, Page 685, Register's Office of Giles County, Tennessee. Unascertainable to the location

Subject to a private water line and a private sewer line retained by Grantors in Deed Book 316, Page 364, Register's Office of Giles County, Tennessee, located along the northeast portion of the above described property. Said easement shall run with the land.

This being the same property conveyed to Rana-Ramy, Inc., by General Warranty Deed dated August 27, 2004, from Bunyan S. Williams and wife, Mandela W. Williams, of record in Deed Book 316, Page 364, Register's Office of Giles County, Tennessee.

This being the same property conveyed to Nermein Mohamed Lotfy from Rana-Ramy, Inc. by Quit Claim Deed dated February 6, 2013 of record in Deed Book 354, Page 93, Register's Office of Giles County, Tennessee.

SUBJECT PROPERTY IS NOT THE GRANTOR'S PRIMARY RESIDENCE.

TRACT 1: MAP 97, PARCEL 57.01 TRACT 2: MAP 97, PARCEL 57.02

PROPERTY ADDRESS: EAST COLLEGE STREET, PULASKI, TN 38478

To have and to hold the said tract or parcel of land, with the appurtenances, estate title and interest, thereto belonging to the said AMERICAN HEALTH PROPERTIES, INC., A TENNESSEE CORPORATION, its successors and assigns forever. And I do covenant with the said AMERICAN HEALTH PROPERTIES, INC., A TENNESSEE CORPORATION, that I am

lawfully seized and possessed of said land in fee simple, have a good right to convey it, and the same is unencumbered, except for matters as set out above.

And I do further covenant and bind myself, my heirs and assigns, to warrant and forever defend title to said land to AMERICAN HEALTH PROPERTIES, INC., A TENNESSEE CORPORATION, its successors and assigns against lawful claims of all persons whomsoever.

WITNESS MY HAND THIS ______ DAY OF _______ IN MOHAMED LOTFY COUNTY OF __ day of __ ____, 2018, before me personally appeared NERMEIN MOHAMED LOTFY, to me known or proved to me on the basis of satisfactory evidence to be the person described in and who acknowledged that she executed the foregoing instrument and acknowledged that she executed the same as her free act and deed and for the purposes therein contained and expressed. Witness my hand and seal at the City of Mary, in the State of alanama SEAL NOTARY PUBLIC

My Commission Expires:

Expires 04-27-2020

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County Number: 028

County Name: GILES

Tax Year: 2018

Property Owner and Mailing Address

Jan 1 Owner:

LOTFY NERMEIN MOHAMED

100 CABOT CIRCLE MADISON, AL 35758 **Current Owner:**

AMERICAN HEALTH PROPERTIES INC

P.O. BOX10

PARSONS, TN 38363

Property Location

Address: E COLLEGE ST

Map: 097 Grp:

S/I: 000 Ctrl Map: 097 Parcel: 057.01 PI:

Value Information

Reappraisal Year: 2017

Land Mkt Value:

\$140,600

Improvement Value:

\$0

Total Market Appraisal: \$140,600

Assessment %: Assessment:

40 \$56,240

General Information

Class:

08 - COMMERCIAL

City #: SSD1: District: 587 City: 000 SSD2: Mkt Area:

Bldgs:

Mobile Homes:

0

PULASKI

000

P94

Utilities - Water / Sewer: Utilities - Gas / Gas Type: 01 - PUBLIC / PUBLIC Utilities - Electricity: 00 - NONE Zoning:

01 - PUBLIC

Subdivision Data

Subdivision:

Plat Bk:

Plat Pg:

Block:

Lot:

Additional Description

Building Information

Extra Features

Sale Information

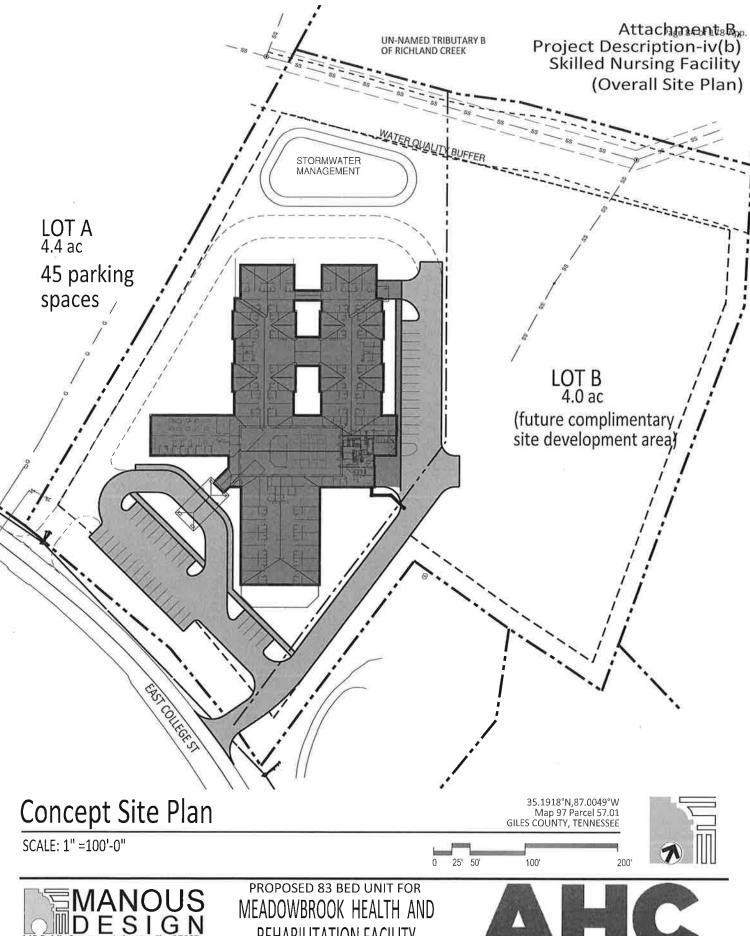
Sale Date	Price	Book	Page	Vac/Imp	Type Instrument	Qualification
04/12/2018	\$280,000	375	577	VACANT	WD	Р
02/15/2013	\$0	354	93			
02/06/2013		354	93	VACANT	QC	
08/27/2004	\$65,000	316	364	IMPROVED	WD	Α
08/27/2004	\$180,000	316	361	VACANT	WD	Ν

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10/25/1984	\$0	231	570			
Land Information						
Deed Acres: 2.70	Calc Acres: 0.0	00 т	otal Land Units: 2.	70		
Land Type: 11 - COM R	URAL Soil	Class:	Units: 2,70			
	New Sear	ch l	Return to List	View GIS Map fo	or this Parcel	
8	Glossary of Term	<u>s</u>	How to Search	1	Fact Sheet	
	vision of Property Assess	ments	Comptroller of the Trea	isury	State of Tennessee	
	Home Page		Home Page		Home Page	

SECTION A: PROJECT DETAILS Attachment A-6B-1 (a-d)

Plot Plan

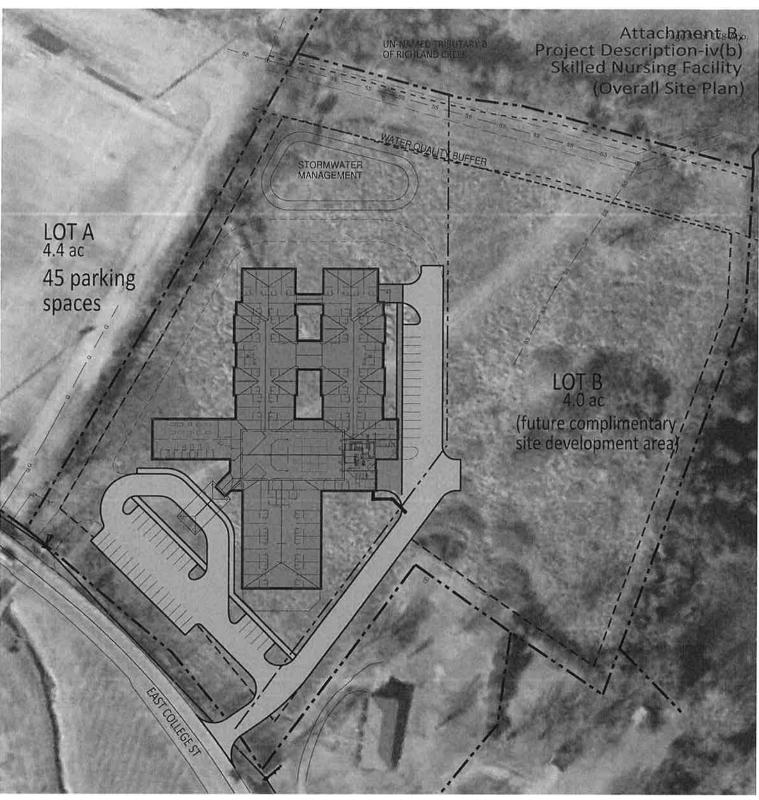




REHABILITATION FACILITY

EAST COLLEGE STREET PULASKI, TENNESSEE

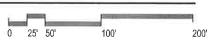




Concept Site Plan

SCALE: 1" =100'-0"

35.1918°N,87.0049°W Map 97 Parcel 57.01 GILES COUNTY, TENNESSEE







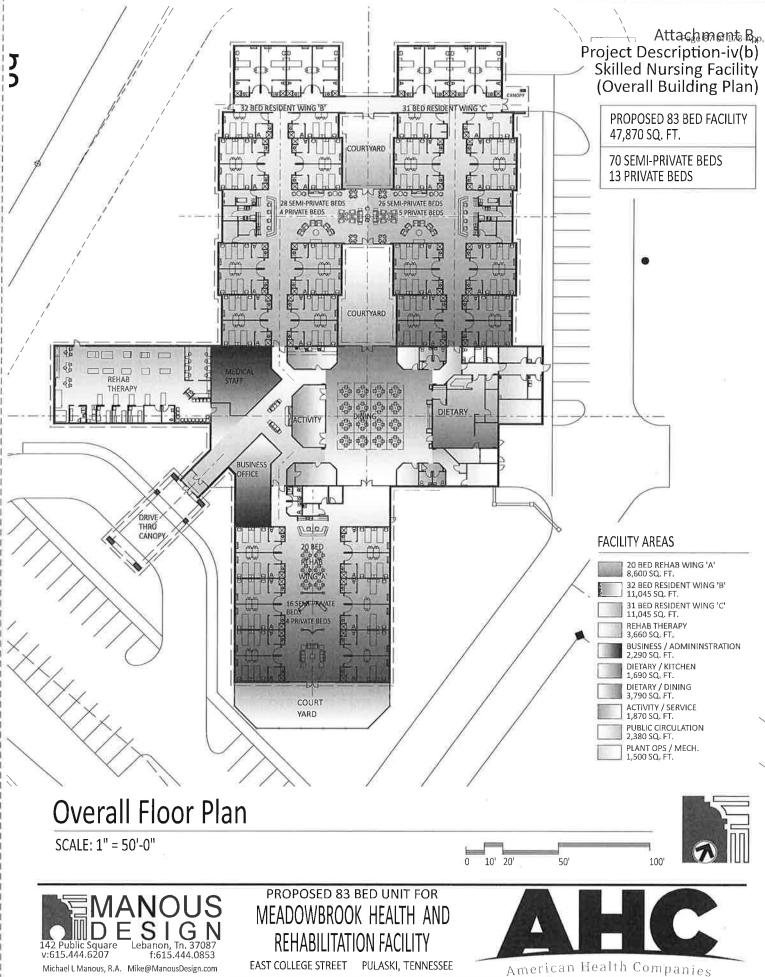
PROPOSED 83 BED UNIT FOR MEADOWBROOK HEALTH AND REHABILITATION FACILITY

EAST COLLEGE STREET PULASKI, TENNESSEE



SECTION A: PROJECT DETAILS Attachment A-6B-2

Floor Plan Drawing

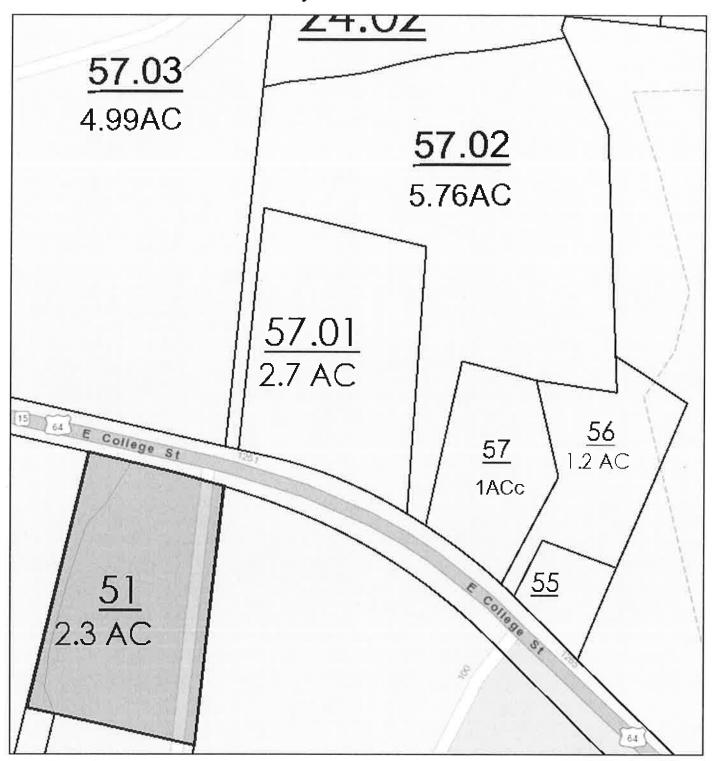


ALL INFORMATION SUBJECT TO COPYRIGHT RESTRICTIONS. MANOUS DESIGN RETAINS THE RIGHTS TO ALL INTELLECTUAL PROPERTY DEPICTED ON THIS DOCUMENT

SECTION A: PROJECT DETAILS Attachment A-6B-3

Highway and Public Transportation Routes and Accessibility Information

Giles County - Parcel: 097 051.00



Date: March 21, 2018 County: Giles

Owner: MEADOWBROOK LONG TERM

Address: E COLLEGE ST 1245 Parcel Number: 097 051.00

Deeded Acreage: 2.3 Calculated Acreage: 0 Date of Imagery: 2013

TN Comptroller - OLG State of Tennessee, Comptroller of the Treasury, Office of Local Government

(OLG)
Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand),

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

Attachment Section B – Need - A

Responses to and Discussion of Criteria and Standards in the State Health Plan

CERTIFICATE OF NEED STANDARDS AND CRITERIA TENNESSEE STATE HEALTH PLAN: 2014 UPDATE

CERTIFICATE OF NEED STANDARDS AND CRITERIA FOR CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

RESPONSE: Not applicable to this project. The Applicant is requesting CON approval to build a new replacement facility and this project does not involve the addition of beds, services or major medical equipment. Although the approval of this application will not result in any additional licensed beds, the Applicant has responded below to the standards and criteria which are applicable to newly licensed facilities and/or beds.

- 2. For relocation or replacement of an existing licensed health care institution:
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

RESPONSE: The replacement of the Meadowbrook skilled nursing facility has been a project goal of AHC/THM for several years, since the realization that the physical plant had deficiencies which made it very difficult to operate the Facility in compliance with all regulatory requirements and in the best interests of residents.

Renovation at the current site has not been considered, because the cost of renovating the existing facility is not economically feasible when compared with the construction of a new facility. In addition, the renovation of the existing building would cause significant disruption in patient care at the Facility as sections are renovated. The construction of a new modern facility allows the existing SNF to continue to operate and provide services to the Giles County patient community while the new facility is constructed. This provides an operational advantage over a proposal that would perform limited renovations on an existing facility, because patient care would inevitably be interrupted. Lastly, a new facility will provide residents with the long term care services and supports that are desired in a state of the art facility desired by current long term care consumers.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

RESPONSE: There is an acceptable existing demand and a much greater projected demand for the services now provided by Meadowbrook. In 2017, the Facility provided 21,223 patient days of care. The replacement facility will allow the existing licensed beds to continue to serve the service area population of Giles County. The Applicant also believes that past utilization would have been significantly greater with a new up to date facility. This premise accounts

largely for the projected increase in patient days once the new facility is online, due in part to the more attractive facility and a greater proportion of private beds.

While this project does not seek to increase the available supply of nursing home beds and is not evaluated based on the need formula in T.C.A. §68-11-1622, that methodology more than demonstrates an existing and future need for these skilled nursing facility beds exists. The projections for Giles County are as follows:

Guidelines for Growth Need Calculation - GILES COUNTY

GILES COUNTY Age-Formula/Year	Factor	201 9 Pop	2019 Need	2020 Pop	2020 Need	2021 Pop	2021 Need	2022 Pop	2022 Need	2023 Pop	2023 Need
0-64 (x .0005)	0.0005	23,8									
		80	12	23,697	12	23,565	12	23,386	12	23,305	12
65-74 (x .0120)	0.012	3,96									
		9	48	4,085	49	4,211	51	4,339	52	4,350	52
75-84 (x .0600)	0.06	2,09									
		5	126	2,095	126	2,230	134	2,341	140	2,479	149
85 + (x .1500)	0.15	725	109	750	113	786	118	817	123	836	125
TOTALS		30,5 97	294	30,627	299	30.792	314	30,883	327	30.970	338
Projected Need		,									
241							15				
Total Existing Beds			264		264		264		264		264
Total Outstanding								·	•	·	
Beds			0		0		0		0		0
BED NEED			30		35		50		63		74

As the table demonstrates, existing and future need for skilled nursing facility beds is acceptable and is projected to become even more acute, evidencing demand for the proposed project.

The numbers above demonstrate how the aging baby boomer population is requiring an ever increasing demand for post-acute care. Tennessee's recently revised 2014 State Health Plan recognizes this increasing demand as a result of patients leaving a hospital setting and requiring skilled nursing assistance in hopes of re-acclimating to the lifestyle accustomed prior to the acute care setting. In the recently revised Nursing Home Services Standards, the Health Plan states:

Research published by the Henry J. Kaiser Family Foundation in 2013 (http://kff.org/Medicaid/fact-sheet/overview-of-nursing-facility-capacity-financing-and-ownership-in-the-united-states-in-2011) shows that a majority of people over the age of 65 will need long term care services for an average of three years, and 20 percent of people will need more than five years of services. The percentage of the population over the age of 65 is expected to increase as the "baby boom" generation ages, and specifically the number of people 85 and older is expected to grow significantly. Tennessee's population projections are in-line with those reported nationally, if not slightly higher, for these age groups.

The plan goes on to state,

"When considering replacement facility or renovation applications that do not alter the bed component within the Service Area, the HSDA should consider as the primary factor whether a replacement facility's own occupancy rate could support its economic feasibility, instead of the occupancy rates of other facilities in the Service Area." (Emphasis added)

It will also allow the development of a modern long term care facility, which is needed in the service area.

- 3. For renovation or expansions of an existing licensed health care institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

RESPONSE: Not applicable because the project is not renovating nor expanding an existing facility.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

RESPONSE: Not applicable because the project is not renovating nor expanding an existing facility.

CERTIFICATE OF NEED STANDARDS AND CRITERIA FOR NURSING HOME SERVICES

The Health Services and Development Agency (HSDA) may consider the following standards and criteria for applications seeking to provide nursing home services as defined by Tennessee Code Annotated (TCA) Section 68-11-201(28). Rationale statements are provided for standards to explain the Division of Health Planning's (Division) underlying reasoning and are meant to assist stakeholders in responding to these Standards and to assist the HSDA in its assessment of certificate of need (CON) applications. Existing providers of nursing home services are not affected by these Standards and Criteria unless they take an action that requires a new CON for such services.

These Standards and Criteria are effective immediately upon approval and adoption by the governor. However, applications to provide nursing home services that are deemed complete by the HSDA prior to the approval and adoption of these Standards and Criteria shall be considered under the Guidelines for Growth, 2000 Edition.

NOTE: TCA Section 68-11-1622 states that the HSDA "shall issue no certificates of need for new nursing home beds, including the conversion of hospital beds to nursing home beds or swing beds," other than a designated number of such beds per fiscal year, "to be certified as Medicare skilled nursing facility (SNF) beds " Additionally, this statute states that the number of Medicare SNF beds issued under this section shall not exceed the allotted number of such beds per applicant. The applicant should also specify in the application the skilled services to be provided and how the applicant intends to provide such skilled services.

NOTE: An applicant that is not requesting a CON to add new nursing home beds shall have its application reviewed by the HSDA staff and considered by the HSDA pursuant to TCA Section 68-11-1609.

Rationale: This Note is included to assist potential applicants in understanding the distinction in the law between a CON application for new Medicare skilled nursing facility beds (including the conversion of hospital beds to nursing home beds or swing beds) and a CON application that does not propose new beds.

Definitions

<u>Nursing Home</u>: Shall have that meaning set forth in Tennessee Code Annotated Section 68-11-201(28) or its successor.

Occupancy Rate: The number of patient days divided by the product of the number of licensed beds and the number of days in the calendar year. The Tennessee Department of Health (TOH) reports nursing home utilization data, including occupancy rates, on its website at: http://health.state.tn.us/statistics/CertNeed.shtml

<u>Service Area</u>: The county or counties represented on an application as the reasonable area in which a nursing home intends to provide services and/or in which the majority of its service recipients reside.

Standards and Criteria

1. Determination of Need.

The need for nursing home beds for each county in the state should be determined by applying the following population-based statistical methodology:

Need= .0005 x population 65 and under, plus .012 x population 65-74, plus .060 x population 75-84, plus .150 x population 85 +

Rationale:

The Division has analyzed the existing Guidelines for Growth compared with the statewide utilization percentages as well as occupancy rates from the nursing home Joint Annual Reports (JARs) for 2012 and has determined that grounds to update the percentages are not sufficient to justify revision of the formula. While input from stakeholders supports that the existing formula is adequate to address statewide nursing home need at present, stakeholder input further suggests that this formula may require re-evaluation based on the impact of factors such as patient participation in the TennCare CHOICES program authorized by the Long Term Care Community Choices Act of 2008, the change in Nursing Facility Level of Care Criteria for TennCare recipients in 2012, and other reimbursement and policy changes. The Division will assess the adequacy of the formula as circumstances concerning nursing homes develop.

County utilization does, of course, differ among the counties' age cohorts, and depends largely upon the availability of nursing home services as well as the availability of reimbursement for those services. The Division believes the criterion regarding the Average Daily Census of existing nursing homes in a Service Area, set forth in No. 4 will help balance any need "overstatements" that the formula might calculate.

Research published by the Henry J. Kaiser Family Foundation in 2013 (http://kff.org/medicaid/fact-sheet/overview-of-nursing-facility-capacity-financing-and-ownership-in-the-united-states-in-2011/) shows that a majority of people over the age of 65 will need long-term care services for an average of three years, and 20 percent of people will need more than five years of services. The percentage of the population over the age of 65 is expected to increase as the "baby boom" generation ages, and specifically the number of people 85 and older is expected to grow significantly. Tennessee's population projections are in-line with those reported nationally, if not slightly higher, for these age groups. How best to determine sufficient capacity to accommodate long-term care user choice in both institutional and community-based settings will continue to be a challenge for policy makers.

The Division recognizes that, increasingly, nursing homes are impacted by the decreases in reimbursement rates, the focus on shorter stays, and the encouragement by policies for nursing care to be provided elsewhere in the community or in the home. The result has been an overall decline in occupancy rates and an increase in the level of care required by nursing home patients.

As requested by stakeholders, the Division commits to making available to applicants a standard chart of the results of the need formula for each county as data are verified, finalized, and made available by the TDH.

RESPONSE: There is an acceptable existing demand and a much greater projected demand for the services now provided by Meadowbrook. While this project does not seek to increase the available supply of nursing home beds and is not evaluated based on the need formula in T.C.A. §68-11-1622, that methodology more than demonstrates an existing and future need for these skilled nursing facility beds exists. The projections for Giles County are as follows:

Guidelines for Growth Need Calculation - GILES COUNTY

GILES COUNTY Age-Formula/Year	Factor	201 9 Pop	2019 Need	2020 Pop	2020 Need	2021 Pop	2021 Need	2022 Pop	2022 Need	2023 Pop	2023 Need
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65-74 (x .0120)	0.012	3,96									
		9	48	4,085	49	4,211	51	4,339	52	4,350	52
75-84 (x .0600)	0.06	2,09									
		5	126	2,095	126	2,230	134	2,341	140	2,479	149
85 + (x .1500)	0.15	725	109	750	113	786	118	817	123	836	125
TOTALS		30.5 97	294	30.627	299	30.792	314	30.883	327	30.970	338
Projected Need											
Total Existing Beds			264		264		264		264		264
Total Outstanding								77.			
Beds			0		0		0		0		0
BED NEED			30		35		50		63		74

As the table demonstrates, existing and future need for skilled nursing facility beds is acceptable and is projected to become even more acute, evidencing demand for the proposed project. According to the calculations of the Department of Health, there is a net bed need for in Giles County for 30 beds in 2019, 35 beds in 2020, and 50 beds in 2021. This need continues to increase through 2023,

In 2017, the Facility provided 21,223 patient days of care. The replacement facility will allow the existing licensed beds to continue to serve the service area population of Giles County. The Applicant also believes that past utilization would have been significantly greater with a new up to date facility, and utilization. This premise accounts largely for the projected increase in patient days once the new facility is online, due in part to the more attractive facility and a greater proportion of private beds.

2. Planning horizon: The need for nursing home beds shall be projected two years into the future from the current year.

Rationale: The current Guidelines for Growth use a two year planning horizon; after consideration of the impact of a three year planning horizon, the Division believes a three year planning horizon has the potential to overstate need.

RESPONSE: The Applicant used a two year planning horizon from the date of filing as directed.

3. Establishment of Service Area: A majority of the population of the proposed Service Area for any nursing home should reside within 30 minutes travel time from that facility. Applicants may supplement their applications with sub-county level data that are available to the general public to better inform the HSDA of granular details and trends; however, the need formula established by these Standards will use the latest available final JAR data from the Department of Health. The HSDA additionally may consider geographic, cultural, social, and other aspects that may impact the establishment of a Service Area.

Rationale: The current Guidelines for Growth also state that a majority of the population of a service area should reside within 30 minutes travel time. In many cases it is likely that a proposed nursing home's service area could draw much more significantly from a specific area of a county. However, utilization data-which are critical to the need formula-are available from the Department of Health only at the county level. When available, the Division would encourage the use of sub-county level data that are available to the general public (including utilization, demographics, etc.) to better inform the HSDA in making its decisions. Because nursing home patients often select a facility based on the proximity of caregivers and family members, as well as the proximity of the facility, factors other than travel time may be considered by the HSDA.

RESPONSE: The primary service area is Giles County where the Facility is located. Based on its 2016 Joint Annual Report, two-thirds of the facility residents (127 of 190 patients) are from Giles County, and a majority of the remaining residents resided within 30 minutes travel time of the Facility.

4. Existing Nursing Home Capacity: In general, the Occupancy Rate for each nursing home currently and actively providing services within the applicant's proposed Service Area should be at or above 90% to support the need for any project seeking to add new nursing home beds within the Service Area and to ensure that the financial viability of existing facilities is not negatively impacted.

When considering replacement facility or renovation applications that do not alter the bed component within the Service Area, the HSDA should consider as the primary factor whether a replacement facility's own occupancy rate could support its economic feasibility, instead of the occupancy rates of other facilities in the Service Area.

Rationale: The words "In general" are specifically included in this Standard because several factors contribute to the ability of existing nursing homes to meet need, including in particular the designation of beds by payer mix and the specific services provided. Private insurance, Medicaid (TennCare), and Medicare reimburse services at different rates and for different purposes and lengths of stay. An applicant may be able to make a case for licensed beds if, for example, specific ancillary services or bed types are lacking in a proposed Service Area, whether or not all nursing homes in a Service Area have Occupancy Rates at or above 90%. A preference should be provided to an applicant wishing to provide Medicaid (TennCare) beds. The Division is of the opinion that the following types of applications seek to increase/alter the number of nursing home beds within a Service Area:

- a. An applicant seeks to add new nursing home beds;
- b. An applicant seeks to relocate an existing facility to a new Service Area;

c. An applicant seeks to establish a new facility not currently operating (i.e., does not seek a replacement of an existing, operating facility); and

d. An applicant seeks to take a single existing licensed facility and divide its bed component into more than one licensed facility (this last application type should not be viewed as merely a replacement of an existing facility, and usually requires legislation authorizing this division of beds).

RESPONSE: The Applicant does not seek to add new nursing home beds to the service area, so the standards relating to the occupancy of other existing nursing homes in the county are not applicable. The Applicant has demonstrated in the application that the facility's own occupancy rate will support its economic feasibility, and as noted in the standards that should be the primary consideration for the approval of the Application. The Facility in its Historical Data Chart reports days of service for the past three years as follows: 2015 (21,038); 2016 (23,067); 2017 (21,223). Over that three year period the Facility's average occupancy was 72%, which is only slightly below the general statewide average of 80% occupancy. The Applicant also believes that past utilization would have been significantly greater with a new up to date facility.

5. Outstanding Certificates of Need: Outstanding CONs should be factored into the decision whether to grant an additional CON in a given Service Area or county until an outstanding CON's beds are licensed.

Rationale: This Standard is designed to ensure that the impact of a previously approved CON for the provision of nursing home services in a given service area is taken into consideration by the HSDA.

RESPONSE: There are no outstanding CONs for nursing home beds or to relocate and replace a nursing home in Giles County.

6. Data: The Department of Health data on the current supply and utilization of licensed and CON-approved nursing home beds should be the data source employed hereunder, unless otherwise noted.

Rationale: Using one source for data is the best way to ensure consistency across the evaluation of all applications. The Division believes the TDH's data should be relied upon as the primary source of data for CON nursing home services applications.

RESPONSE: The Applicant has used and relied upon sources and data from the Division of Health Care Facilities website, and data from the Division of Health Statistics, and Joint Annual Reports, expect where it is providing its own internal information.

7. **Minimum Number of Beds:** A newly established free-standing nursing home should have a sufficient number of beds to provide revenues to make the project economically feasible and thus is encouraged to have a capacity of least 30 beds. However, the HSDA should consider exceptions to this standard if a proposed applicant can demonstrate that economic feasibility can be achieved with a smaller facility in a particular situation.

Rationale: Quality of care is impacted by the relationship between facility size and the appropriate staffing of the facility. Assuming appropriate staffing exists, the HSDA should consider each applicant's circumstances individually regarding facility size. The Division's research in Tennessee

indicates that 90-120 licensed beds may be an optimal range for ensuring both economic feasibility and the delivery of quality care. However, exceptions to this general range are certain to arise. Two examples of such circumstances could be: 1) When a newly proposed facility is planned in conjunction with an existing continuum of services, such as the development of a continuing care campus or other type of multiple service provider, in which case a smaller number of beds may be justified; and 2) If the existing resources in a sparsely populated rural area are not sufficient and new nursing homes are needed, a smaller facility may be justified as compared to a larger facility. The State Health Plan encourages the HSDA to evaluate such applications carefully to ensure that they propose to provide services adequately to a broad population.

RESPONSE: This question is not applicable because the application is for replacement of an existing facility. The Facility has 83 currently licensed beds, and no new beds are being requested.

- 8. Encouraging Facility Modernization: The HSDA may give preference to an application that:
 - a. Proposes a replacement facility to modernize an existing facility.
 - b. Seeks a certificate of need for a replacement facility on or near its existing facility operating location. The HSDA should evaluate whether the replacement facility is being located as closely as possible to the location of the existing facility and, if not, whether the need for a new, modernized facility is being impacted by any shift in the applicant's market due to its new location within the Service Area.
 - c. Does not increase its number of operating beds.

In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described in TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems, and/or facilities that seek to improve the patient-centered nature of their facility by adding home-like features such as private rooms and/or home-like amenities.

Rationale: The aging of nursing home facilities is an increasing concern within the industry. This standard seeks to provide support for an existing nursing home to modernize/update its facilities.

RESPONSE: The proposed replacement facility squarely fits within the criteria for which the HSDA should give preference regarding approval. Meadowbrook seeks a new modernized replacement facility with this application. The current facility was constructed approximately 40 years ago (1979), and, as described within, has physical plant and life safety concerns that must be addressed for the Facility to continue to operate in compliance with regulations. The existing facility was built around an institutional mode. The new facility will improve the patient-centered nature of their facility by adding additional private rooms and home-like amenities within the rooms and common areas of the facility.

The new facility configuration will increase the supply of private beds and completely eliminate the 3+ patient per room "ward beds" that are in the current facility. The new facility will increase the percentage of private beds almost four fold (4% to 16%). The new facility will include 13 private beds/rooms and 70 semi-private beds. This is compared to the existing Facility's 3 private beds, 68 semi-private beds, and 12 ward beds. In general, private beds

are much preferred by those in need of nursing home care, and particularly those receiving post-acute SNF care.

9. Adequate Staffing: An applicant should document a plan demonstrating the intent and ability to recruit, hire, train, assess competencies of, supervise, and retain the appropriate numbers of qualified personnel to provide the services described in the application and that such personnel are available in the proposed Service Area. However, when considering applications for replacement facilities or renovations of existing facilities, the HSDA may determine the existing facility's staff would continue without significant change and thus would be sufficient to meet this Standard without a demonstration of efforts to recruit new staff.

RESPONSE: Just like the existing building, the new facility building will be organized and staffed to meet the needs of all patients with highly qualified staff needed to take care of any residents with complex conditions and rehabilitation needs. Because there is no increase in beds, and because there staffing needs of the new facility building will largely mirror the existing operation, the Applicant believes that all staffing needs will be met with existing staff who will move with the opening of the building. As expected patient days increase, the Applicant anticipates that any need to recruit few additional employees will be met by its experience and resources to provide ongoing recruitment of staff.

10. Community Linkage Plan: The applicant should describe its participation, if any, in a community linkage plan, including its relationships with appropriate health care system providers/services and working agreements with other related community services to assure continuity of care. If they are provided, letters from providers (including, e.g., hospitals, hospice services agencies, physicians) in support of an application should detail specific instances of unmet need for nursing home services.

Rationale: Coordinated, integrated systems of care may not be in place in much of rural Tennessee, and therefore this language has been deleted. Additionally, the Division recognizes that nursing homes may not be the primary drivers of community linkage plans, and the Division does not mean to suggest that an applicant should develop one itself; instead it should provide information on its participation in a community linkage plan, if any. However, the Division recognizes that hospitals, particularly rural ones, often encounter difficulties in discharge planning to nursing homes due to a lack of available beds. CON applications for new nursing home beds should therefore also provide letters from hospitals, hospice service agencies, physicians, or any other appropriate providers, to provide evidence of unmet need and the intent to meet that need.

RESPONSE: Meadowbrook has an existing extensive network of care providers and service vendors within the community, and has excellent relationships with the acute care providers who both refer and accept referrals to/from the Facility.

11. Access: The applicant should demonstrate an ability and willingness to serve equally all of the Service Area in which it seeks certification. In addition to the factors set forth in HSDA Rule 0720-11-.01(1) (listing the factors concerning need on which an application may be evaluated), the HSDA may choose to give special consideration to an applicant that is able to show that there is limited access in the proposed Service Area. However, an applicant should address why Service Area residents cannot be served in a less restrictive and less costly environment and whether the applicant provides or will provide other services to residents that will enable them to remain in their homes.

RESPONSE: Meadowbrook will serve all patients, regardless of race, age, gender, nationality, socio-economic status or payer source. The need for the replacement facility sought by this application is not based on a lack of bed capacity in the service area or upon a significant lack of access to care. No additional licensed beds or increase in capacity is sought.

12. Quality Control and Monitoring: The applicant should identify and document its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details on its Quality Assurance and Performance Improvement program as required by the Affordable Care Act. As an alternative to the provision of third party accreditation information, applicants may provide information on any other state, federal, or national quality improvement initiatives. An applicant that owns or administers other nursing homes should provide detailed information on their surveys and their quality control programs at those facilities, regardless of whether they are located in Tennessee.

Rationale: This section supports the State Health Plan's Principle No. 4 for Achieving Better Health regarding quality of care. Typically, nursing homes are not accredited by the Joint Commission or other accrediting bodies; applicants instead are asked and encouraged to provide information on other quality initiatives. The intent of this alternative is to permit the applicant to show its commitment to, as well as its performance regarding, quality control and improvement. Surveys and quality control programs at sister facilities may provide an indication of future quality performance at the applicant's proposed facility and are relevant to the HSDA's assessment of the application.

RESPONSE: The Facility will be managed and operated by Tennessee Health Management (THM). THM is an experienced operator of long term care facilities, having operated for over thirty years in Tennessee. THM currently operates 29 skilled nursing facilities in Tennessee, and one in Alabama, which are owned by affiliated companies. Meadowbrook has had no significant deficiencies or regulatory sanctions in the last three years. The Facility has a Medicare Nursing Home Compare "Star Rating" of four stars overall, with three stars for health inspections, staffing, and quality measures. Meadowbrook will maintain all licensure and certification. It will continue to be licensed by the Tennessee Board for Licensing Health Care Facilities, and will be TennCare and Medicare certified.

The applicant will maintain and comply with its Quality Assurance and Performance Improvement Program. In the interest of brevity a copy of the entire program manual is not attached.

13. **Data Requirements:** Applicants should agree to provide the TOH and/or the HSDA with all reasonably requested information and statistical data related to the operation and provision of services at the applicant's facility and to report that data in the time and format requested. As a standard of practice, existing data reporting streams will be relied upon and adapted over time to collect all needed information.

RESPONSE: The Applicant will met this criteria and provide all reasonably requested information.

14. Additional Occupancy Rate Standards:

- a. An applicant that is seeking to add or change bed component within a Service Area should show how it projects to maintain an average occupancy rate for all licensed beds of at least 90 percent after two years of operation.
- b. There should be no additional nursing home beds approved for a Service Area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate of 90 percent. In determining the Service Area's occupancy rate, the HSDA may choose not to consider the occupancy rate of any nursing home in the proposed Service Area that has been identified by the TOH Regional Administrator as consistently noncomplying with quality assurance regulations, based on factors such as deficiency numbers outside of an average range or standards of the Medicare 5 Star program.
- c. A nursing home seeking approval to expand its bed capacity should have maintained an occupancy rate of 90 percent for the previous year.

Rationale: The Division believes reducing the occupancy rates from 95 to 90 percent in numbers 14b and 14c more accurately reflects overall occupancy in the state, and also would take into consideration some increasing vacancy rates that current nursing homes may be experiencing due to decreasing admissions overall and increasing patient turnover due to short-stay patients.

RESPONSE: The applicant is not seeking to alter the bed component in the service area, so this question is not applicable.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

Attachment Section B – Need – D -1(a)

Service Area Demographic Information

Page 105 of 178-App.



QuickFacts

Giles County, Tennessee

QuickFacts provides statistics for all states and counties, and for citles and towns with a population of 5,000 or more,

Table

ALL TOPICS	Giles County, Tennessee
Population estimates, July 1, 2017, (V2017)	29,401
▲ PEOPLE	
Population	
Population estimates, July 1, 2017, (V2017)	29,401
Population estimates base, April 1, 2010, (V2017)	29,489
Population, percent change - April 1, 2010 (estimates base) to July 1, 2017, (V2017)	-0,3%
Population, Census, April 1, 2010	29,485
Age and Sex	
Persons under 5 years, percent	▲ 5.7%
Persons under 18 years, percent	▲ 21.0%
Persons 65 years and over, percent	▲ 19.7%
Female persons, percent	▲ 51.4%
Race and Hispanic Origin	
White alone, percent (a)	▲ 86,3%
Black or African American alone, percent (a)	▲ 10.6%
American Indian and Alaska Native alone, percent (a)	▲ 0.4%
Asian alone, percent (a)	▲ 0.5%
Native Hawaiian and Other Pacific Islander alone, percent (a)	▲ Z
Two or More Races, percent	▲ 2 .1%
Hispanic or Latino, percent (b)	▲ 2,3%
White alone, not Hispanic or Latino, percent	▲ 84.4%
Population Characteristics	
Velerans, 2012-2016	2,052
Foreign born persons, percent, 2012-2016	2.5%
Housing	
Housing units, July 1, 2017, (V2017)	14,051
Owner-occupied housing unit rate, 2012-2016	69.7%
Median value of owner-occupied housing units, 2012-2016	\$113,900
Median selected monthly owner costs -with a mortgage, 2012-2016	\$1,069
Median selected monthly owner costs -without a mortgage, 2012-2016	\$345
Median gross rent, 2012-2016	\$609
Building permits, 2017	98
Families & Living Arrangements	
Households, 2012-2016	11,478
Persons per household, 2012-2016	2,46
Living in same house 1 year ago, percent of persons age 1 year+, 2012-2016	86_4%
Language other than English spoken at home, percent of persons age 5 years+, 2012-2016	3.0%
Education	
High school graduate or higher, percent of persons age 25 years+, 2012-2016	83,3%
Bachelor's degree or higher, percent of persons age 25 years+, 2012-2016	14.0%
Health	
With a disability, under age 65 years, percent, 2012-2016	12.8%
Persons without health insurance, under age 65 years, percent	▲ 11.6%



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Economy	
In civilian labor force, total, percent of population age 16 years+, 2012-2016	54 9%
In civilian labor force, female, percent of population age 16 years+, 2012-2016	48.9%
Total accommodation and food services sales, 2012 (\$1,000) (c)	24,825
Total health care and social assistance receipts/revenue, 2012 (\$1,000) (c)	77,549
Total manufacturers shipments, 2012 (\$1,000) (c)	1,040,182
Total merchant wholesaler sales, 2012 (\$1,000) (c)	189,075
Total retail sales, 2012 (\$1,000) (c)	317,126
Total retail sales per capita, 2012 (c)	\$10,908
Transportation	
Mean Iravel lime to work (minutes), workers age 16 years+, 2012-2016	26.3
Income & Poverty	
Median household income (in 2016 dollars), 2012-2016	\$40,635
Per capita income in past 12 months (in 2016 dollars), 2012-2016	\$21,487
Persons in poverty, percent	▲ 16.7%
M BUSINESSES	
Businesses	
Total employer establishments, 2016	530
Total employment, 2016	8,553
Total annual payroll, 2016 (\$1,000)	325,445
Total employment, percent change, 2015-2016	3.9%
Total nonemployer establishments, 2016	1,737
All firms, 2012	2,102
Men-owned firms, 2012	1,168
Women-owned firms, 2012	708
Minority-owned firms, 2012	221
Nonminority-owned firms, 2012	1,798
Veteran-owned firms, 2012	331
Nonveleran-owned firms, 2012	1,687
⊕ GEOGRAPHY	
Geography	
Population per square mile, 2010	48,3
Land area in square miles, 2010	610 93
FIPS Code	47055



Page 107 of 178-App.

Value Notes

Estimates are not comparable to other geographic levels due to methodology differences that may exist between different data sources.

Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable. Click the Quality of each row in TABLE view to learn about sampling error.

The vintage year (e.g., V2017) refers to the final year of the series (2010 thru 2017). Different vintage years of estimates are not comparable,

- Includes persons reporting only one race
 Hispanics may be of any race, so also are included in applicable race categories
 Economic Census Puerto Rico data are not comparable to U.S. Economic Census data

Value Flags

- Suppressed to avoid disclosure of confidential information
- Fewer than 25 firms
 Footnote on this item in place of data
- Not available Suppressed; does not meet publication standards
- Not applicable
 Value greater than zero but less than half unit of measure shown
- Either no or too few sample observations were available to compute an estimate, or a ratio of medians cannot be calculated because one or both of the median estimates falls in the interval of an open ended distribution.

QuickFacts data are derived from: Population Estimates, American Community Survey, Census of Population and Housing, Current Population Survey, Small Area Health Insurance Estimates, Sm Poverly Estimates, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits,

is this page helpful? X ₩ No

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

Attachment Section B – Need – E
Utilization Data for
Giles County Nursing Homes

Moderne Advantage										
Femicare 2509 3209 1823 182	ARDMORE	Limit 1 Care	2014 Caral 2 Caral Skilled Marsing Cara	Telefort	State Condition of the	2015 Level 2 Caro / Swilest Naming Caro	7916 Total	2016 Loyel 1 Cara Informediate Cara	2016 Lewis Z Caro / Skilled Nurstop Caro	2016 Total
TennCare 13818 2343 23443 2349 2159 2	e Advantage		309	309			0	0		
TennCare 1353 511 14499 14283 408 3469 10834 215 1589 158	r Medicare		2549	2549		1828	1828		1593	1593
Februarie	e McO	13983	511	14494			0			0
Part	Medicald/Tenncare	144/		1447	14283		14691	10834		11049
Part	act overnment		06	06	778		778	1440		1440
Fig. 1857 Fig. 1852 Fig.	z			0			0			0
Fig. 2014 16,781 3,455 10,240 15,962 1,8139 16,455 1,8139 16,455 1,8139 16,455 1,8139 16,455 1,8139 1,6455 1,6455 1,8139 1,6455 1,8139 1,6455 1,8139 1,6455 1,8139 1,6455 1,8139 1,6455 1,8139 1,6455 1,8139 1,6455	Self Pay}	1351		1351	901		901	704		704
Fig. 10 Fig. 12 Fig. 12 Fig. 12 Fig. 12 Fig. 13 Fig.	m Care insurance			0			0	199		199
Form Care 15,734 3,455 12,94 12,95 12,95 13,158 14,55 1,808	n-government	ACT TO	0.00	0			0	1379		1379
Record Paris Carlo Car	CCUPANCY %	19/'01	3,459	70.2%	12,962	7,236	18,198	14,556	1,808	16,364
PROOK	C 12 04 1 0 5		The state of the s							20.00
FemCare 197 197 197 198 388	MEADOWBROOK	2014 Level 1 Card Illhormodisto Care	2014 Comit 2 Comit Stelland Number Com	Zibid Topak	2015 Levisi 1 Cara/ Informediate Cara	2515 Level 2 Care/ Solited Naming Care	2015 Tata	2018 Lenni 1 Carav Intermodisto Caro	2016 Lavel 2 Caro / Salbot Huming Cam	50 50 100 100 100 100 100 100 100 100 100 1
TennCare 14522 42 14574 98 4164 4164 4677 4164 4164 4677 4164 4164 4164 4167 4164 4164 4167 4164	. Advantage		197	197		384	384		358	358
TennCare 14532 42 14574 98 98 98 98 98 98 98 9	Medicare		3720	3720		4164	4164		4677	4677
TennCare TennCare	B MCO	14532	42	14574	86		86		T	C
1702 1702 2182 2182 1448	Medicaid/TennCare			0	12715		12715	16337		16337
1702 1702 2182 2182 1448	act vernment		1	0 0			0 0			
1702 1702 1702 2182 2182 1448	7			0			0			
urance 95 <th< td=""><td>elf Pay)</td><td>1702</td><td></td><td>1702</td><td>2182</td><td></td><td>2182</td><td>1448</td><td></td><td>1448</td></th<>	elf Pay)	1702		1702	2182		2182	1448		1448
Feb. 16,234 3,959 20,193 16,457 4,548 21,005 17,785 5,278	m Care Insurance			0	95		95			0
% 10,234 3,535 20,134 15,436 4,348 21,005 17,785 5,278 LASKI Lorent Correct AG2 Correct Correct Correct Correct Correct Correct Correct AG2	n-government	10000	010	0 201	1367	1.0	1367		243	243
LASKI Land 1 Card 2014 2014 2014 2015 2015 2015 2015 2016	CCUPANCY %	10,234	455°E	66.7%	16,457	4,548	69.3%		5,278	23,063
Land Care Land							No. of London	The Carlo	The same of	
Fenn Care 731 731 731 8899 899 899 1253 Tenn Care 11345 1702 13047 10025 3682 1370 12415 1647 In annoe 77 77 269 4701 2469 77 4030 In annoe 1880 1260 3140 2115 1586 11,926 16,332 In annoe 18,103 14,281 32,384 16,841 17,927 34,768 11,5326 15,352	NHC PULASKI	2014 Level 1 Circl Islammadiate Care	2014 Loyel 2 Carul Sallled Marsing Care	2014 Total	2015 Level 1 Comit Informaciliate Como	2015 Level 2 Caro? Stuffed Hureling Caro	2015 Total	2016 Lord Cara Intermediate Cara	2016 Level 2 Cars / Sollid Muning Cars	935
TennCare 11345 1702 9695 9695 9695 9695 9695 9695 9695 9695 9695 9695 9695 9695 12435 12415 12415 12435 Inmone 77 77 77 269 269 462 462 Inmane 1880 1260 3140 2115 1586 3701 4630 2022 ent 18,103 14,281 32,384 16,841 17,927 34,768 11,536 15,352	Advantage		731	731		800%	899		1253	1253
TennCare 11345 1702 13047 10025 3682 13707 12415 1647 urance 4878 77 7 269 269 269 462 urance 4878 816 5694 4701 2469 7170 4030 2022 ent 1880 1260 3140 2115 1586 3701 1481 2233 ent 18,103 14,281 32,384 16,841 17,927 34,768 17,326 15,352	Medicare		5696	9695		9022	9022		7735	7735
urance 1880 1260 2115 <	Medicaid/TennCare	11345	1702	13047	10025	3682	13707	12415	1647	0 14062
urance 4878 8.16 5694 4701 2.469 7170 4030 2022 ent 18.80 12.60 31.40 2.115 15.86 3701 14.81 2.233 ent 18,103 14,281 32,384 16,841 17,927 34,768 11,326 15,352	act		77	0 1		000	0 0		1000	0 (
ce 4878 816 5694 4701 2469 7170 4030 2022 ce 1880 1260 3140 2115 1586 3701 1481 2233 18,103 14,281 32,384 16,841 17,927 34,768 17,926 15,352				Ö		507	0		462	462
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18,103 14,281 32,384 16,841 17,927 34,768 17,926 15,352	n-government	1880	1260	3140	2115	1586	3701	1481	2233	3714
		18,103	14,281	32,384	16,841	17,927	34,768	17,926	15 352	33.278

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Medicare Advantage
All Other Medicare
TennCare MCO
All Other Medicaid/TennCare
VA Contract
Other Government
Access TN
Private (Self Pay)
Long-Term Care Insurance
Other non-government
Total

TOTAL OCCUPANCY %

MEADOWBROOK

Medicare Advantage
All Other Medicare
TennCare MCO
All Other Medicaid/TennCare
VA Contract
Other Government
Access TN
Private (Self Pay)
Long-Term Care Insurance
Other non-government
Total
TOTAL OCCUPANCY %

NHC PULASKI

Medicare Advantage
All Other Medicare
TennCare MCO
All Other Medicaid/TennCare
VA Contract
Other Government

Access TN
Private (Self Pay)
Long-Term Care Insurance
Other non-government
Total
TOTAL OCCUPANCY %

2015 Land 2 Care / Skilled Norting Care	0.00%	9.73%	96090	1.31%	0.00%	0,00%	0.00%	2,00%	0.00%	0,0036	9/50:77	Zahio	Stilled Number	e Car	1.55%	20.28%	ELISTIN	0.0006	0,00%	0.000	CALIFIE	0.00%	0.000	1,05%	0/20:22	SINE Served 2 Command	Smind Naming Care	3.77%	23.24%	D.C.E.T.	4.95%	1 200%	D/ 22 T	%U 9	5,000	6.71%	46,13%
Carro Carro Carro	\$6070	\$3000	0,90%	66.21%	8.80%	0.00%	0.00%	4.30%	1.22%	8.43%	18/20/20	2016	1	2. 2.	5,000	50000	0.00%	70.84%	0.00%	3000	0.00%	6.28%	2000	77710	0/77	10 to	4	0.00%	0,00%	0.00%	3/31%	CAMPA	SANCO.	12.11%	0.0090	4.45%	53.87%
6 16 14	0.005	10.05%	0,000	80.73%	4.28%	0.00%	0,00%	4,95%	0.000	100,000	00000				1.83%	19.82%	0.47%	60.53%	0,00%	0,000	0.00%	10.39%	0.45%	100 000		2015 Tetra		2.59%	25.95%	870028	39.42%	77.7%		20.62%	0.00%	10.64%	100.00%
AV15 Sychi 2 Care / Allied Narrating Care	0.00%	10,05%	%G0"0	2.24%	0.00%	9,000	0.05%	0.00%	0,00%	12 2007	1000000			E S	1.83%	19.82%	0.00%	6,00%	0.00%	8000	2500.0	0.00%	0.008	21 65%	00000	Mark Care /	Saru Narating Caru	2.59%	25.95%	0,0036	10.59%	72/0	0.00%	7.10%	0.00%	4.56%	51.56%
Larel 1 Carry 1 Inflammadiate St	0.00%	0.00%	0.00%	78.49%	4.28%	0.00%	0.00%	4 95%	0,00%	0.00%		- - - - -		e _m v	0.00%	0.00%	0.47%	60.53%	90000	0.00%	0.00%	10,39%	0.45%	78 35%		ZOTS Level 1 Caru	informedate Care	0.00%	0.0008	2000	78 83%	COUR	D-0000	13.57%	0.00%	6.08%	48,44%
i I	1.53%	12.59%	71.61%	7.15%	0.44%	0.00%	0.00%	6.67%	0.00%	100.00%		1			%86.0	18.42%	72.17%	B,000	0.00%	000%	0,00%	8 43%	DAUNG TANAS	700 00%		2014 1014		2.26%	29.94%	7000	40.29%	0.24%	2000	17.58%	6,00%	9.70%	100,00%
Level 2 Dary Salled Nerthing Care	1.53%	12.59%	2.52%	0,00%	0.44%	0.00%	0.00%	0.000	3,00%	17 00%			Office Arrains	į	%86'0	18,42%	0.21%	0.00%	0.00%	2100%	0.00%	0.00%	0.0000	79 61%		Land 2 Com	Skilled Nurshing Care	7.26%	29.94%	7000	2.79%	0.24%	2004	2.52%	0.00%	3.89%	44.10%
Conditions of the Conditions o	0.00%	0.00%	%60 69	7.15%	0.00mg	0,00%	0.00%	6.67%	0.00%	82 01%				ŝ	0.00%	0.00%	71.97%	0,00%	0,000,0	0,0048	9,00%	8 43%	0.0038	20 39%		10 Sign	Prinamadista	2,000	0.00%	7000 10	35.03%	0.00%	3000	15.06%	2,00≅	5.81%	55.90%

		BE	BED COMPLIN	LIMENT			AVER	AVERAGE DAILY CENSUS	CENSUS			
										Non -		
		Medicare		Level 1	Licensed				Skilled - Skilled -	Skilled -		
		Only	Dually	Certified	Only - Non	SNF	Level 2	Level 1	All Other Total	Other	Total	ADC
Facility Name	Licensed	icensed Certified Certified	Certified	Medicaid Certified	Certified	Medicare	Medicaid Medicaid Payors Payors ADC	Medicaid	Payors	Payors	ADC	Occupancy
2016 Meadowbrook	83	0	83	0	0	13.8	0.0	44.8	0.7	4.0 63.2	63.2	%92
2016 NHC Pulaski	102	0	57	45	0	24.6	4.5	34.0	12.9	15.1	91.2	%68
2016 Ardmore	79	0	79	0	0	4.4	9.0	29.7	0.0	10.2 44.8	44.8	27%
								,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

Attachment Section B – Need – F

Meadowbrook Historical and Projected

Utilization Statistics

		BE	BED COMPLI	IMENT			AVER	AVERAGE DAILY CENSUS	CENSUS			
										Non -		
		Medicare		Level 1	Licensed				Skilled - Skilled -	Skilled -		
		Only	Dually	Certified	Only - Non	SNF	Level 2	Level 1	All Other Other Total	Other	Total	ADC
Facility Name	Licensed	Licensed Certified Certified	Certified	Medicaid	Certified	Medicare	Medicare Medicaid Medicaid	Medicaid	Payors	Payors ADC	ADC	Occupancy
2017 Meadowbrook	83	0	83	0	0	14.6	0.0	41.3	0.0	3.0	58.9	71%
2016 Meadowbrook	83	0	83	0	0	13.8	0.0	44.8	0.7		63.2	%92
2015 Meadowbrook	83	0	83	0	0	12.5	0.0	35.1	0.0	10.0	57.5	%69

SECTION B: ECONOMIC FEASIBILITY Attachment A-5

Documentation from Architect/Contractor Supporting Construction Cost Estimates



110 Lakewood Drive Lebanon, TN 37087 615.444.6207 p 615.444.0853 f

July 10, 2018

Ms. Melanie M. Hill, Executive Director, Tennessee Health Services & Development Agency 502 Deaderick Street, 9th Floor Nashville, TN 37243

Re: American Health Companies

Meadowbrook Health and Rehabilitation Replacement Facility

Pulaski, Tennessee

Ms. Hill,

Manous Design, Inc. (MD) has been retained by American Health Companies to assist in the design and construction administration for the proposed 83 bed skilled nursing facility to be constructed in Pulaski, Tennessee.

MD has reviewed the construction budget for the proposed facility. This budget has been prepared utilizing concept level floor plans and a schematic site plan provided by our office. The structure will contain approximately 47,870 s.f. of heated living area. The structure will be a single story, slab on grade with a wood frame construction (type VA) and fully sprinkled. The interior of the building will be separated by appropriate smoke compartments and fire separations. The exterior will be a mixture of masonry veneer, and hardboard siding with 30 year asphalt fiberglass shingles. We anticipate using operable, residential style, vinyl windows in all resident rooms and aluminum storefront system in the public spaces. All interior finishes will be class 'B' except as allowed by code. Based on our experience with similar style construction, the proposed budget of \$10,500,000 or \$219.00 per square foot for the facility appears adequate.

The facility will be designed to meet the minimum requirements of the building codes as currently adopted by the State of Tennessee Fire Marshal's Office and the Department of Health. Currently in effect are the 2012 International Building Code, the International Plumbing, Gas, and Mechanical Codes as well as the National Electric Code, Latest Edition. The design of facility will conform to the codes referenced above as well as the ANSI 117, (ADA Handicapped Code), 2010 AIA Guidelines for Design and Construction of Hospital and Health Care Facilities and the Life Safety Code Hand Book, for a Group I-2 (Nursing/ Custodial Care) facility.

Please feel free to contact me if you require additional information.

Sincerely,

Manous Design, Inc.

Michael L. Manous, R.A.

President

SECTION B: ECONOMIC FEASIBILITY Attachment B-5

Documentation of Cash Reserves from Chief Financial Officer



July 11, 2018

Ms. Melanie Hill, Executive Director Tennessee Health Services and Development Agency 500 Deaderick Street, Suite 850 Nashville, TN 37243

Re: Meadowbrook Health and Rehabilitation Replacement Facility

Dear Ms. Hill:

Please be advised that funding for the redevelopment of the eighty-three (83) bed Skilled Nursing Facility at Meadowbrook Health and Rehabilitation Facility, which is the subject of a certificate of need application, will be provided by its parent company, American Health Companies, Inc. The capital funding required for this project is estimated to be Thirteen Million Eight Hundred Ninety-Four Thousand Four Hundred Thirty-Six Dollars (\$13,894,436) and is available through the resources of American Health Companies, Inc.

For clarification, I am Chief Financial Officer of both American Health Companies, Inc. and Tennessee Health Management, Inc. Meadowbrook Health and Rehabilitation Center, Inc. is a subsidiary of American Health Companies, Inc., and will be managed by Tennessee Health Management, Inc., a leading provider in the long-term care and behavioral health sectors.

The Company currently has operations in over 50 locations throughout Tennessee and Northern Alabama employing over 4,000 people. The provider portfolio consists of, but not limited to, 29 skilled nursing facilities, 5 behavioral health hospitals, home health, hospice, therapy and rehabilitation services and an institutional pharmacy.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

American Health Companies, Inc.

Chief Financial Officer

SECTION B: ECONOMIC FEASIBILITY Attachment F-1

Applicant Financial Information

MEADOWBROOK LONG TERM FACILITY, INC. (A Wholly-Owned Subsidiary of American Health Companies, Inc.) HUD Project No. 086-22020

Financial Statements and Supplementary Information

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)



MEADOWBROOK LONG TERM FACILITY, INC. (A wholly-owned subsidiary of American Health Companies, Inc.)

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Statements of Changes in Shareholder's Deficit	5
Statements of Cash Flows	6
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Statement of Cash Flows Data	17
Computation of Surplus Cash, Distributions and Residual Receipts	18
Schedule of Reserve for Replacements	19
Schedule of Changes in Fixed Assets	20
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	21 - 22
Independent Auditors' Report on Compliance for Major HUD Program and on Internal Control over Compliance Required by the Consolidated Audit Guide for Audits of HUD Programs	23 - 25
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Shareholder and Management Agent's Certification	28



INDEPENDENT AUDITORS' REPORT

Board of Directors Meadowbrook Long Term Facility, Inc. Parsons, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Meadowbrook Long Term Facility, Inc. (a wholly owned subsidiary of American Health Companies, Inc.) (the "Company"), sponsor of HUD Project No. 086-22020, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income, changes in shareholder's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meadowbrook Long Term Facility, Inc., as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 to 20 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 15 to 20 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on pages 15 to 20 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2018, on our consideration of Meadowbrook Long Term Facility, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Meadowbrook Long Term Facility, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Meadowbrook Long Term Facility, Inc.'s internal control over financial reporting and compliance.

Knoxville, Tennessee

SBMC, PC

March 27, 2018

Name of Engagement Executive: Mark Waters

Federal Employer Identification Number: 62-1199757

Balance Sheets

HUD Project No. 086-22020

December 31, 2017 and 2016

<u>Assets</u>

	<u>2017</u>	2016
Current Assets:	ć 120.270	472.624
Cash and cash equivalents Prepaid property and liability insurance	\$ 129,278 14,817	
Prepaid property and nability insurance	14,017	14,/1/
Total current assets	144,095	188,341
Restricted deposits:		
Escrow for taxes and insurance	69,591	70,889
Reserve for replacements	248,966	207,953
Total restricted deposits	318,557	278,842
Property and equipment, net	459,096	437,193
	\$921,748	904,376
<u>Liabilities and Sha</u>	reholder's Deficit	
Current Liabilities:		
Accrued expenses	\$ 78,053	\$ 73,442
Current maturities of long-term debt	131,897	126,443
Total current liabilities	209,950	199,885
Long-term debt, net less current maturities	4,926,745	5,048,856
Deferred tax liability	90	90
Total liabilities	5,136,785	5,248,831
Shareholder's deficit:		
Common stock, no par value; authorized 100,000 sha	•	
outstanding 50,000 shares	2,200	
Additional paid-in capital	282,511	-
Accumulated deficit	(4,499,748	(4,629,166)
Total shareholder's deficit	(4,215,037	(4,344,455)
Total liabilities and shareholder's	deficit \$ 921,748	\$904,376

Statements of Income

HUD Project No. 086-22020

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue:		
Rental income	\$528,000	\$ 528,000
Expenses:		
Administrative	11,471	14,726
Taxes and insurance	53,913	51,593
Financial expenses	255,560	264,174
Depreciation	62,163	57,921
Total expenses	383,107	388,414
Operating income	144,893	139,586
Loss on disposal of assets	(5,282)	×
Interest income	228	213
Income before state income taxes	139,839	139,799
State income tax benefit	10,421	8,989
Net income	\$ 129,418	\$130,810

Statements of Changes in Shareholder's Deficit

HUD Project No. 086-22020

Years ended December 31, 2017 and 2016

	Commo	on Stock	Additional	Accumulated	
	Shares	Stock	Paid-In Capital	Deficit	Total
Balance, December 31, 2015	50,000	\$ 2,200	\$ 417,587	\$ (4,759,976)	\$(4,340,189)
Cash distributions	-	-	(135,076)	*	(135,076)
Net income	<u> </u>		<u>2</u>	130,810	130,810
Balance, December 31, 2016	50,000	2,200	282,511	(4,629,166)	(4,344,455)
Net income				<u>129,418</u>	129,418
Balance, December 31, 2017	50,000	\$ <u>2,200</u>	\$ <u>282,511</u>	\$ <u>(4,499,748</u>)	\$ <u>(4,215,037</u>)

Statements of Cash Flows

HUD Project No. 086-22020

Years ended December 31, 2017 and 2016

*		<u>2017</u>		<u>2016</u>
Cash flows from operating activities:				
Rental and other receipts	\$	528,000	\$	528,000
Interest receipts		228		213
Administration, insurance and tax payments		(96,775)		(114,786)
Interest paid on mortgage note		(220,293)		(228,026)
Net cash provided by operating activities	· ·	211,160	0	185,401
Cash flows from investing activities:				
Purchase of depreciable assets		(89,348)		(87,703)
Net mortgage escrow withdrawals (deposits)		1,298		(442)
Deposit to reserve for replacements		(55,728)		(55,713)
Withdrawals from reserve for replacements	_	14,715	-	55,042
Net cash used in investing activities	-	(129,063)	-	(88,816)
Cash flows from financing activities:				
Mortgage principal payments		(126,443)		(121,215)
Distributions	70		=	(135,076)
Net cash used in financing activities	_	(126,443)		(256,291)
Net decrease in cash and cash equivalents		(44,346)		(159,706)
Cash and cash equivalents - beginning of year	-	173,624	_	333,330
Cash and cash equivalents - end of year	\$_	129,278	\$_	173,624

HUD Project No. 086-22020

December 31, 2017 and 2016

(1) Nature of Operations

Meadowbrook Long Term Facility, Inc. (the "Company") owns a long-term care facility and equipment in Pulaski, Tennessee which it leases to Meadowbrook Health and Rehab Center, Inc. ("Meadowbrook Rehab"), a related-party skilled nursing facility. The Company is a wholly owned subsidiary of American Health Companies, Inc. ("AHC").

The Company is financed and regulated by the U.S. Department of Housing and Urban Development ("HUD") under Section 232 pursuant to Section 223(f) of the *National Housing Act*, with mortgage insurance provided by the Federal Housing Administration ("FHA") of HUD. The loan agreement with HUD requires the Company to comply with certain regulatory requirements, including maintenance of property tax and insurance escrow deposits and reserve for replacements. The Company has a for-profit regulatory agreement with HUD that allows surplus cash to be distributed.

(2) Summary of significant accounting policies

(a) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

(c) Rent receivable

Rent receivable is reported at the net realizable value based upon historical performance, projections of trends and knowledge of Meadowbrook Rehab's financial condition. The Company writes off receivables as bad debts once the receivable is determined to be uncollectible. Rent is due at the beginning of each month for that month's rent. The Company does not charge interest on any past due amount nor require collateral for the receivable.

HUD Project No. 086-22020

December 31, 2017 and 2016

(d) Property and equipment

Property and equipment acquisitions are stated at cost less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	5 - 27.5 years
Land improvements	5 - 15 years
Computer equipment and software	3 - 15 years
Furniture and equipment	3 - 12 years

(e) Debt issuance costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. These costs are capitalized and amortized using the effective interest method over the terms of the debt and included in financial expenses in the statements of income.

(f) <u>Income taxes</u>

The Company's shareholder has elected to have the Company's income taxed as an S Corporation under the provisions of the Internal Revenue Code. Therefore, federal taxable income or loss is reported to the shareholder for inclusion in its federal tax return and no provision for federal income taxes is included in these statements. The provision for income taxes reflected in these statements is for state income taxes only.

The asset and liability method is used in accounting for income taxes, whereby deferred tax assets and liabilities are determined based upon the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws applicable to the periods in which the differences are expected to affect taxable income.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company has no material uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

As of December 31, 2017 and 2016, the Company has accrued no interest and no penalties related to uncertain tax positions. It is the Company's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company files a U.S. Federal and State of Tennessee income tax returns annually.

HUD Project No. 086-22020

December 31, 2017 and 2016

(g) Reserve for replacement

The debt agreement requires monthly escrow payments of \$4,625 to be deposited for future property and equipment additions or repairs necessary to maintain the facilities. These payments are held by the debt holder and are subject to prior approval from HUD before being released. The escrow balances are held in cash and are recorded in replacement reserve deposits in the accompanying balance sheets.

(h) Realization of long-lived assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(i) Rent income recognition

Rent income consists of payments received under an operating lease and is recognized monthly over the term of the lease.

(j) Events occurring after reporting date

The Company has evaluated events and transactions that occurred between December 31, 2017 and March 27, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Property and equipment

Property and equipment consists of the following at December 31, 2017 and 2016:

		<u>2017</u>		<u>2016</u>
Land	\$	30,000	\$	30,000
Land improvements		29,337		29,337
Buildings and improvements		2,210,389		2,103,430
Furniture and equipment	100	609,498		577,878
Construction in progress		5		58,851
Computer equipment and software		12,280		12,280
		2,891,504		2,811,776
Allowances for depreciation	*:	(2,432,408)	-	(2,374,583)
	\$	459,096	\$_	437,193

HUD Project No. 086-22020

December 31, 2017 and 2016

(4) State income taxes

The provision for state income taxes during 2017 and 2016 is as follows:

	<u>2017</u>			<u>2016</u>		
Current tax expense Deferred tax benefit	\$	10,421 \$		9,938 (94 <u>9</u>)		
Total provision for income taxes	\$	10,421	\$	8,989		

Deferred income taxes are provided for the temporary differences between the financial reporting basis and state tax basis of the Company's assets and liabilities. The deferred income tax assets result from differences in depreciation for financial statement and income tax purposes. The deferred income tax liabilities result from prepaid expenses. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized; however, no valuation allowance was considered necessary at December 31, 2017 or 2016.

(5) Long-term debt

		<u>2017</u>		<u>2016</u>
Note payable to mortgage company	\$	5,190,980	\$	5,317,423
Less unamortized debt issuance costs	_	132,338	_	142,124
Long term debt, net		5,058,642		5,175,299
Less current maturities	-	131,897	-	126,443
Long term debt, net less current maturities	\$	4,926,745	\$_	5,048,856

The note payable to mortgage company was obtained under the HUD program, insured under the *National Housing Act* and regulations, bearing interest at a fixed rate of 4.23% collateralized by property and equipment, payable in monthly principal and interest payments of \$29,078 to maturity in June 2041.

The Company's debt agreement contains certain conditions and restrictions, including required levels of collateral, incurrence of additional encumbrances, limits on new leases, dividend and stock redemption payments, requirements for annual maintenance, capital improvements and liquidity ratios.

HUD Project No. 086-22020

December 31, 2017 and 2016

A summary of future maturities of long-term debt as of December 31, 2017 is as follows:

<u>Year</u>	<u> </u>	<u>Amount</u>		
2018	\$	131,897		
2019		137,585		
2020		143,519		
2021		149,709		
2022		156,166		
Thereafter	8	4,472,104		
	\$	5,190,980		

(6) <u>Distributions</u>

Shareholder distributions from project activities are limited to the amount of "surplus cash," as defined by HUD, that exists at the end of the fiscal year. There were no distributions paid in 2017. Distributions of \$135,076 were made during 2016 from the project activities.

(7) Related party transactions

The Company leases the real and certain personal property of its skilled nursing facility to a related party, Meadowbrook Rehab. In May 2011, in connection with the Company's issuance of a mortgage note under the HUD program, the Company entered into a lease agreement with Meadowbrook Rehab as the operator of the skilled nursing facility. This lease agreement is renewed annually. Rents due under the lease were established at rates sufficient to enable the Company to make required operating payments, as well as debt and escrow payments as required under the debt agreement and are due at the beginning of each month. Monthly rent payments were established at \$44,000 for the period from January 1, 2016 to December 31, 2017.

HUD Project No. 086-22020

December 31, 2017 and 2016

(8) Statements of cash flows disclosures

Reconciliation of net income to net cash provided by operating activities for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Net income Adjustments to reconcile net income to net cash	\$129,418	\$130,810
provided by operating activities: Depreciation	62,163	57,921
Non-cash financial expenses	9,786	10,015
Loss on disposal of equipment	5,282	€
Deferred state income tax benefit	*	(949)
Decrease (increase) in:		
Prepaid expenses	(100)	315
Increase (decrease) in:		
Accrued expenses	4,611	(12,711)
Total adjustments	81,742	54,591
Net cash provided by operating activities	\$ <u>211,160</u>	\$ <u>185,401</u>

(9) Significant estimates and concentrations

GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Litigation

The Company is from time to time subject to various legal proceedings that generally involve patient care and employment issues at the lessee, who participates in the self-insurance program managed through a related-party captive insurance entity. These actions are, in the opinion of management, ordinary, routine matters incidental to the normal business conducted by the Company and Meadowbrook Rehab. In the opinion of management, after consultation with internal and outside legal counsel, the ultimate disposition of these proceedings will not have a material adverse effect on the Company's financial position or results of operations.

HUD Project No. 086-22020

December 31, 2017 and 2016

Regulatory Environment

Meadowbrook Rehab operates a multi-unit health care project, concentrated in the health care market which is a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies including but not limited to, HUD. New or changed governmental directives, rules or regulations could occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change which could impact the Company and its lessee materially in the near term.

Vulnerability

The Company's sole asset is its skilled nursing facility, and its sole source of revenue is rental income from leasing the facility to the operator of Meadowbrook Rehab who for sources of revenue, relies primarily on the health care needs of the local community in which Meadowbrook Rehab is based.

Cash Concentration

The Company's restricted deposits are held by LPC Mortgage Company as required by the loan agreement. The restricted deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") in total up to \$250,000; therefore, the restricted deposits exceeded the deposit insurance limit established by the FDIC by approximately \$69,000 and \$29,000 at December 31, 2017 and 2016, respectively. The Company feels exposure of loss is minimal and any actual loss is unlikely.

The Company also occasionally maintains unrestricted deposits at a bank in excess of federally insured amounts. The Company has not experienced any losses in such accounts and management believes the Company is not exposed to any significant credit risk related to cash and cash equivalents.

SUPPLEMENTARY INFORMATION

HUD Project No. 086-22020 Balance Sheet Data Supporting Data Required by HUD

December 31, 2017

1120 1200	Cash and cash equivalents Prepaid expenses	\$	129,278 14,817		
1100T	Total current assets	-		\$	144,095
1310	Escrow deposits		69,591		
1320 1300T	Replacement reserve Total deposits	-	248,966		318,557
					, -
1410	Land		30,000		
1410	Land improvements		29,337		
1420	Buildings		2,210,389		
1465	Office furniture and equipment		609,498		
1490	Miscellaneous fixed assets	_	12,280		
1400T	Total fixed assets		2,891,504		
1495	Accumulated depreciation		(2,432,408)		
	•	_	1-1-1-1-1		
1400N	Net fixed assets			-	<u>459,096</u>
1000T	Total assets			\$_	921,748
2131	Accrued interest payable - first mortgage	\$	18,298		
2150	Accrued property taxes	•	30,957		
2170	Mortgage payable - first mortgage (short term)		131,897		
2190	Miscellaneous current liabilities		28,798		
2122T	Total current liabilities	-		\$	209,950
2320	Mortgage payable - first mortgage (long term)		4,926,745		
2390	Miscellaneous long-term liabilities		90		
2330	wiscendificous fong-term habilities	-	30		
2300T	Total long-term liabilities			_	<u>4,926,835</u>
2000T	Total liabilities				5,136,785
3161	Common stock		2,200		
3164	Additional paid-in capital		282,511		
3163	Accumulated deficit		(4,499,748)		
3160	Total deficit				(4,215,037)
2036T	Total liabilities and deficit			\$_	921,748

HUD Project No. 086-22020 Statement of Profit and Loss Data Supporting Data Required by HUD Year ended December 31, 2017

5195	Lease revenue (nursing home)	\$ <u>528,000</u>	
5100T	Total rent revenue		\$ 528,000
5152N	Net rental revenue		528,000
5440	Revenue from investments - replacement reserve	228	
5400T	Total financial revenue		228
6590	Loss on disposal of assets	(5,282)	
6500T	Total loss on disposal of assets		(5,282)
5000T	Total revenue		<u>522,946</u>
6350	Audit/professional fees	<u>11,471</u>	
6263T	Total administrative expenses		11,471
6710 6720 6790	Real estate taxes Property and liability insurance (hazard) Other taxes	30,957 3,627 <u>19,329</u>	
6700T	Total taxes and insurance		53,913
6820 6850	Interest on first mortgage payable Mortgage insurance premiums	219,847 25,927	
6800T	Total financial expenses		245,774
6000T	Total cost of operations before depreciation		311,158
5060T	Profit before depreciation		211,788
6600 6610	Depreciation expenses Amortization (financial) expenses		62,163 <u>9,786</u>
5060N	Profit before state income taxes		139,839
7130	State income taxes	10,421	
7100T	Net entity expenses		10,421
3250	Net income		\$ <u>129,418</u>

HUD Project No. 086-22020 Statement of Cash Flows Data Supporting Data Required by HUD Year ended December 31, 2017

Cash flows fro	m operating a	activities				
	00-010	Rental receipts	\$	528,000		
S120	00-020	Interest receipts	•	228		
S120	00-040	Total receipts				528,228
S120	00-050	Administrative		(9,611)		
	00-120	Property taxes		(29,590)		
	00-140	Property insurance		(3,727)		
	00-150	Other taxes		(27,920)		
	00-210	Mortgage insurance premiums		(25,927)		
	00-180	Interest on mortgage note		(220,293)		
	00-230	Total disbursements		(110)130)		(317,068)
S120	00-240	Net cash provided by operating activities			_	211,160
Cash flows from	m investing a	ctivities:				
	0-245	Net mortgage escrow withdrawals		1,298		
S120	0-250	Net replacement reserve deposits		(41,013)		
S120	00-330	Fixed asset purchases	-	(89,348)		
S120	00-350	Net cash used in investing activities			-	(129,063)
Cash flows from	m financing a	ctivities:				
S120	00-360	Principal payments on mortgage	_	(126,443)		
S120	00-460	Net cash used in financing activities				(126,443)
S120	00-470	Net decrease in cash and cash equivalents				(44,346)
S120	00-480	Cash and cash equivalents - Beginning of year			-	173,624
S120	от	Cash and cash equivalents - End of year			\$	129,278
Reconciliation	of net incom	e to net cash provided by operating activities:				
3250)	Net income			\$	129,418
-	stment to rec ctivities:	concile net income to net cash provided by operating				
6600)	Depreciation	\$	62,163		
6610)	Amortization		9,786		
S120	0-600	Loss on disposal of assets		5,282		
S120	0-520	Increase in prepaid expenses		(100)		
S120	0-570	Decrease in interest payable		(446)		
S120	0-560	Increase in accrued taxes		3,197		
S120	0-560	Increase in accrued professional fees	0.	1,860		
						81,742
S120	0-610	Net cash provided by operating activities			\$	211,160

HUD Project No. 086-22020

Computation of Surplus Cash, Distributions and Residual Receipts Supporting Data Required by HUD December 31, 2017

PART A - COMPUTE SURPLUS CASH				
Cash				
1. Cash (Accounts 1120, 1170, 1191)	S1300-010	\$ 129,278		Vermi
2. Medicare/Medicaid Receivables to be received within 60 days				
and not encumbered by Accounts Receivable Financing			16	
3. Other (describe)				
(a) Total Cash (Add Lines 1, 2, and 3)	S1300-040		\$	129,278
Current Obligations				
4. Accrued mortgage interest payable	S1300-050	\$ 18,298		Re de la
5. Delinquent mortgage principal payments				
6. Delinquent deposits to reserve for replacements				piera d
7. Accounts payable (due within 30 days)	S1300-075	\$		
8. Loans and notes payable (due within 30 days)	S1300-080			
9. Deficient Tax Insurance or MIP Escrow Deposits	S1300-090			
10. Accrued expenses (not escrowed)	S1300-100	\$ 28,798	LN.	
11. Prepaid Revenue (Account 2210)			Ī	
12. Tenant security deposits liability (Account 2191)				
13. Other (Describe)				
(b) Total Current Obligations (add Lines 4 through 13)	S1300-140		\$	47,096
(c) Surplus Cash (Deficiency) (Line 3(a) minus Line(b))	S1300-150		\$	82,182
PART B - COMPUTE DISTRIBUTIONS TO OWNERS AND REQUIRED DEP	OSIT TO RESI	DUAL RECEIP	TS	
1. Surplus Cash (Deficiency).	S1300-150		\$	82,182
2. Residual Receipts	S1300-200		\$	

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MEADOWBROOK LONG TERM FACILITY, INC.

HUD Project No. 086-22020
Schedule of Reserve for Replacements
Supporting Data Required by HUD
Year ended December 31, 2017

In accordance with the provision of the regulatory agreement, a fund is held at Lancaster Pollard Mortgage Company, as trustee, to be used for replacement of property with the approval of HUD as follows:

Balance, January 1, 2017	\$ 207,	953
Total monthly deposits	55,	500
Interest on replacement reserve accounts		228
Less - Approved withdrawals	(14,	715)
Balance, Sunday, December 31, 2017	\$248,	966

HUD Project No. 086-22020 Schedule of Changes in Fixed Assets Supporting Data Required by HUD Year ended December 31, 2017

	Cost					
	Balance		Balance			
	January 1, 201	Additions	Disposals	Sunday, December		
				<u>31, 2017</u>		
				9		
Land	\$ 30,00	0 \$ =	\$ ==	\$ 30,000		
Land improvements	29,33	7	€/,	29,337		
Buildings and improvements	2,103,43	0 106,959	2	2,210,389		
Furniture and equipment	577,87	8 35,958	(4,338)	609,498		
Construction in progress	58,85	1 (53,569)	(5,282)	· ·		
Computer equipment and software	12,28	0		12,280		
	\$ <u>2,811,77</u>	6 \$ <u>89,348</u>	\$ <u>(9,620</u>)	\$2,891,504		
		Accumulate	ed Depreciation			
	Balance			Balance		
	January 1, 201	Additions	Disposals	Sunday, December		
		- (31, 2017		
Land improvements	\$ 29,33	7 \$ =	\$ =	\$ 29,337		
Buildings and improvements	1,882,14		T	1,919,643		
Furniture and equipment	451,79	-	(4,338)			
Computer equipment and software	11,30	-	(.,550)	12,281		
	\$ 2,374,58		\$ <u>(4,338</u>)			
Total book value	\$437,19	3 \$ 27,185	\$(5,282)	\$459,096		

Schedule of	Additions	
Description		
Switch gear and panels	\$	49,685
Roof repair materials		3,705
Reach in freezer		5,025
Range		4,866
Beds		4,825
Washer and dryer	4-1-	21,242
	\$	89,348

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors Meadowbrook Long Term Facility, Inc. Parsons, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Meadowbrook Long Term Facility, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2017, and the related statements of income, changes in shareholder's deficit, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meadowbrook Long Term Facility, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 27, 2018

Knoxville, Tennessee

SBMC, PC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

Board of Directors Meadowbrook Long Term Facility, Inc. Parsons, Tennessee

Report on Compliance for Major HUD Program

We have audited Meadowbrook Long Term Facility, Inc.'s (the "Company") compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on the Company's major U. S. Department of Housing and Urban Development (HUD) program for the year ended December 31, 2017. The Company's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
Section 232, mortgage insurance for nursing	Federal Financial Reports
homes	Mortgage Status
	Replacement Reserve
	Distributions to Owners
	Cash Receipts
	Equity Skimming
	Cash Disbursements
	Unauthorized Change of Ownership
	Unauthorized Loans of Project Funds
	Leased Nursing Homes

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD program.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS (continued)

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Meadowbrook Long Term Facility, Inc.'s major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major HUD program. However, our audit does not provide a legal determination of the Company's compliance.

Opinion on Major HUD Program

In our opinion, Meadowbrook Long Term Facility, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of Meadowbrook Long Term Facility, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the requirements that could have a direct and material effect on its major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT: GUIDE FOR AUDITS OF HUD PROGRAMS (continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

March 27, 2018

Knoxville, Tennessee

Some, PC

MEADOWBROOK LONG TERM FACILITY, INC. HUD Project No. 086-22020 Schedule of Findings, Questioned Costs and Recommendations Year ended December 31, 2017

Our audit disclosed no findings that are required to be reported herein under the *Consolidated Audit Guide for Audits of HUD Programs*.

MEADOWBROOK LONG TERM FACILITY, INC. HUD Project No. 086-22020 Schedule of Status of Prior Audit Findings, Questioned Costs, and Recommendations Year ended December 31, 2017

1. Audit Report dated March 27, 2017, for the year ended December 31, 2016, issued by LBMC, PC

There were no audit findings issued during the period covered by this audit.

2. <u>Audit Reports issued by the HUD Office of Inspector General or other federal agencies or contract</u> administrators during the period covered by this audit

There were no reports issued by the HUD Office of Inspector General or other federal agencies or contract administrators during the period covered by this audit.

3. HUD management reports issued during the period covered by this audit

There were no letters or reports issued by HUD management during the period covered by this audit.

MEADOWBROOK LONG TERM FACILITY, INC. HUD Project No. 086-22020 Shareholder and Management Agent's Certification December 31, 2017

We hereby certify that we have read the foregoing financial statements and supplementary information of Meadowbrook Long Term Facility, Inc., and, to the best of our knowledge and belief, they are complete and accurate.

Jeff Bogle, Chief Financial Officer
Meadowbrook Long Term Facility, Inc.

Paul D. Murray III, VP of Finance
American Health Companies, Inc.

Managing Agent 62-1541543



January 29, 2018

To Whom It May Concern:

The attached Independent Auditors' Report and Consolidated Balance Sheets page represent excerpts from the Consolidated Audit Report of American Health Companies, Inc. for the years ended December 31, 2016 and 2015.

If you have any questions, please contact me at 615-751-8134 or jbogle@upptn.com.

Sincerely,

Jeff Bogle

Chief Financial Officer

Attachments (2)



INDEPENDENT AUDITORS' REPORT

To the Board of Directors

American Health Companies, Inc.:

We have audited the accompanying consolidated financial statements of American Health Companies, Inc. and its subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of American Group Surety, Ltd., a wholly owned subsidiary, which statements reflect total assets constituting 13% of consolidated total assets at December 31, 2016. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for American Group Surety, Ltd., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Health Companies, Inc. and its subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of the Company as of and for the year ended December 31, 2015 were audited by other auditors whose report dated May 27, 2016, expressed an unmodified opinion on those statements.

Brentwood, Tennessee

LBMC, PC

May 30, 2017

AMERICAN HEALTH COMPANIES, INC.

Consolidated Balance Sheets

December 31, 2016 and 2015

	<u>2016</u>	2015
Current assets:		
Cash and cash equivalents	\$ 54,340,660	\$ 55,949,275
Accounts receivable, net of allowance for doubtful	a ·	
account of \$6,276,076 and \$8,832,289 in 2016 and		
2015, respectively	26,700,334	27,558,67 9
Pharmacy and supplies inventories	1,307,083	2,034,398
Prepaid expenses and other assets	1,828,647	2,832,499
Restricted cash	3,132,480	13,171,121
Total current assets	87,309,204	101,545,972
Property and equipment, net	101,846,506	105,458,174
Property and equipment held for sale, net	· ·	1,500,000
Goodwill, net	10,964,812	12,783,065
Restricted cash, less current portion	6,416,901	7,307,664
Restricted marketable securities	22,258,985	9, 173,98 0
Deferred income taxes	1,411,061	1,557,979
Other assets	838,598	1,038,264
	\$231,046,067	\$240,365,098
a a	15	
<u>Liabilities and Shareho</u>	olders' Equity	
Current liabilities:		100
Accounts payable	\$ 9,385,559	\$ 10,840,065
Accrued expenses and liabilities	16,609,446	19,048,327
Accrued risk reserves	13,629,077	14,024,787
Current maturities of long-term debt	4,866,072	3,956,048
Total current liabilitles	44,490,154	47,869,227
Long-term debt, net less current maturitles	114,709,251	112,074,359
· Total liabilities	159,199,405	159,943,586
Shareholders' equity:		
Common stock, no par value; 750,000,000 shares	4	
authorized; 63,458,377 shares issued and	4 024 505	A 634 EST
outstanding in 2016 and 2015	4,624,585	4,624,585 1,831,012
Additional paid-in capital	1,831,012	73,926,725
Retained earnings	74,598,755 153,724	73,926,725
Accumulated other comprehensive income, net of tax Treasury stock - 4,680,707 shares at cost in 2016; zero	133,724	33,130
shares in 2015	(9,361,414)	<u> -</u>
Sildies III 2013	(5,301,414)	
Total shareholders' equity	71,846,662	80,421,512
	\$ 231,046,067	\$ 240,365,098

See accompanying notes to the consolidated financial statements.

SECTION B: ECONOMIC FEASIBILITY Attachment H

Staffing Chart

	Existing FTEs	Projected	Average Wage (Contractual	Area Wide/ Statewide Average
Position Classification	2017	FTEs 2020	Rate)	Wage
a) Direct Patient Care Positions				
Director of Nursing	1.00	1.00	\$ 76,000	
Registered Nurse	4.00	4.40	\$ 56,680	
Licensed Practical Nurse	10.00	11.00	\$ 32,995	
Certified Nurse Aides	19.00	24.00	\$ 19,681	\$ 25,090
Dietary Manager	1.00	1.00	\$ 27,040	\$ 54,080
Dietary Technicians	7.50	8.00	\$ 15,827	\$ 27,460
Social Worker	1.20	1.30	\$ 45,760	\$ 51,990
Activity Coordinators	1.00	0.00	\$ 29,415	\$ 32,600
Total Direct Patient Care Positions	43.70	50.70		
b) Non-Patient Care Positions				
Administrator	1.00	1.00	\$83,000	\$ 100,060
Maintenance / Facility Management	1.00	1.00	\$ 45,760.00	\$ 38,290
Environmental Services	10.00	11.00	\$ 20,568.00	\$ 24,260
Business Office Manager	1.00	1.00	\$ 39,527.28	\$ 38,800
Total Non-Patient Care Positions	67.40	75.00		
Total Employees (A+B)	111.10	125.70		
c) Contractual Staff				
Medical Director	0.20	0.20	\$3,500/mc	
Pharmacist	0.20	0.20	n/a	
Licensed Physical Therapists	2.0	2.50	n/a	
Physical Therapists Assistants / Aides	1.0	1.50	n/a	
Registered Occupational Therapists	2.0	2.50	n/a	
Other Occupational Therapy Aides ists	2.0	2.50	n/a	
Registered Dietician	0.20	0.20	n/a	\$ 54,080
Total Contractual Staff	7.40	9.40		
Total Staff (a+b+c)	118.50	135.10		-

SECTION B: ORDERLY DEVELOPMENT Attachment A

Providers, Vendors and contractors

SECTION B: ORDERLY DEVELOPMENT Attachment D-1

Existing Facility License

Board for Licensing Health Care Facilities

Tennessee State of state

0000000000 License No.

No. Beds

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC	MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC.	GE STREET, PULASKI	, Tennessee.	ll equine AUGUST 01	to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable,	and shall be subject to revocation at any time by the Hate Department of Health, for failure to comply with the laws of the Hate of Tennessee or the rules and regulations of the Hate Department	of Health issued thereunder.	In Witness Mereof, we have hereunto set our hand and seal of the State	30TH day	By Juneis J. Janie, MPH
MEADOWBROOK I	and maintain a Hursing Home	1245 EAST COLLEGE STREET, PULASKI	GILES	This license shall expine	of Chapter 11, Tenne	bject to revocation at an laws of the	of Health	In Ohi	this	00000
	and maintain a	Pocated at 1	County of	This office	to the provisions	and shall be sui				



SECTION B: ORDERLY DEVELOPMENT Attachment D-2

Existing Facility Most Recent Survey with Plan of Correction

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	FOF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:		TIPLE CONSTRUCTION NG		(X3) DATE SURVEY COMPLETED	
		445443	B. WING		0.9	0/13/2017	
NAME OF	PROVIDER OR SUPPLIER		•	STREET ADDRESS, CITY, STATE, ZIP CODE	1 00	7 10/2017	
MEADO	WBROOK NURSING C	ENTER		1245 E COLLEGE ST		ê)	
				PULASKI, TN 38478			
(X4) ID PREFIX TAG	(EACH DEFICIENCY	TEMENT OF DEFICIENCIES MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTIVE ACTION SHOUNDERSTREE ACTION SHOUNDERSTREET ACTION SHOU	JLD BE	(X5) COMPLETION DATE	
F 000	INITIAL COMMENT	-S	F 00	00			
SS=E	9/11-13/17 at Meado deficiencies were cinvestigation #39914 during the recertificate PART 483, Requirer Facilities. 483.60(i)(1)-(3) FOO STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/PREPARE/STORE/STORE/PREPARE/STORE/STORE/PREPARE/STORE	4 were completed on bowbrook Nursing Center. No sted related to complaint 4. Deficiencies were cited ation survey under 42 CFR ments for Long Term Care DD PROCURE, SERVE - SANITARY from sources approved or ory by federal, state or local food items obtained directly subject to applicable State gulations. The sent prohibit or prevent produce grown in facility compliance with applicable od-handling practices. The ses not preclude residents also not procured by the facility. The sessional standards for food the sessional standards for food the segarding use and storage of dents by family and other the and sanitary storage,	F 37	This plan of correction contitutes a wallegation of substantial compliance of Federal and Medicaid requirements a requirements when necessary. 11 F371 1 (a) In-serviced the cooks on 9/13/17 on maintain proper food temperatures on some to ensure proper serving temperature of than 135 degrees Fahrenheit (b) Pureed food will be in deep pans on table to ensure the pans are touching womaintain acceptable food temperature of delivery service. 2. The facility has determined that all resident this practice. 3. All dietary staff i re-educated on 9/21/17 procedure for ensuring all food temperature steam table will be served at no less degrees Fahrenheit. 4. Registered Dietician, Kitchen Supervisco Director of Nursing and/or Administrator check food temperatures on the steam and test trays 4 times a week for 4 weethen 3 times a week for 2 months to macompliance. Results of audits will be brought to the committee which consists if DON, Med Director, Administrator and ICP. Any civil be addressed immediately and any will be discussed. Completion Date: 10/27/17	not to team table f no less the steam ater to uring meal ents at cted by on proper tures on s than 135 r, will ables as and intain		
		R/SUPPLIER REPRESENTATIVE'S SIGNA	ATURE	TITLE		(X6) DATE	

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

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	T OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:		TIPLE CONSTRUCTION ING		(X3) DATE SURVEY COMPLETED	
		445443	B, WING			09/	13/2017
	PROVIDER OR SUPPLIER WBROOK NURSING (CENTER		STREET ADDRESS, C 1245 E COLLEGE S PULASKI, TN 384		•	
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFI TAG	PREFIX (EACH CORRECTIVE ACTION SHOUL			(X5) COMPLETION DATE
	Based on review of Manual, review of the and interview, the fawas held at temperalillness for 5 of 5 residay meal in the diniceating a pureed die. The findings include Review of facility, Doctober 2014 reveal Fahrenheit or above steam table to main during meal service throughout meal service throughout meal service all hot food items retemperatures will be to meal service, and temperatures will be serving temperatures will be serving temperature completedThe completedThe completed during the Review of the grievadated 9/9/16 the "f grievance dated 4/14 when it gets to them Observation on 9/11 room steam table refollowing temperature degrees Fahrenheit, and peas 94 degrees	f the facility's Dietary Training he grievance log, observation, acility failed to ensure hot food atures to prevent food borne idents eating a regular miding room and 8 of 8 residents timidday meal. ed: ietary Training Manual, dated aled "Hot food 135 degrees eFood will be placed on the tain acceptable temperatures and the highest acceptable placing on steam tableFood e obtained and recorded prior any inappropriate e corrected to ensure proper examples that temperatures can be not expense to discould" Ince log revealed a grievance food is cold" Ince log revealed a grievance food is cold	F3	71			

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	T OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTI A. BUILDIN	PLE CONSTRUCTION G		E SURVEY PLETED
		445443	B. WING_		09/	13/2017
NAME OF	PROVIDER OR SUPPLIER			STREET ADDRESS, CITY, STATE, ZIP CODE		
MEADOWBROOK NURSING CENTER				1245 E COLLEGE ST PULASKI, TN 38478		
(X4) ID PREFIX TAG	(EACH DEFICIENCY	SUMMARY STATEMENT OF DEFICIENCIES ID PROVIDER'S PLAN OF CORRECTION (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION) TAG PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIAT DEFICIENCY)				(X5) COMPLETION DATE
F 371	table in the Dietary obtained the following 127 degrees Fahrer 108 degrees Fahrer revealed residents in from the Dietary De Interview with the Dietary Department of Dietary Die	1/17 at 12:02 PM at the steam Department revealed Cook #2 ng temperatures: pureed fish wheit and pureed cabbage wheit. Continued observation and been served pureed food partment steam table. Setary Supervisor and the setary on 9/11/17 at 12:12 PM in the steam temperatures on the steam the steam and the steam on the steam.	F 37			
	hall revealed the Die temperature of 123 opureed meat on the Supervisor confirme food at temperature: Fahrenheit. 483.80(a)(1)(2)(4)(e PREVENT SPREAD (a) Infection prevent The facility must estand control program a minimum, the following the system for previous stigating, and control program and control p	etary Supervisor obtained a degrees Fahrenheit for the 200 hall test tray. The Dietary d the facility failed to hold at or above 135 degrees O(f) INFECTION CONTROL, INFECTION CONTROL, INENS Ion and control program. Ablish an infection prevention (IPCP) that must include, at wing elements: Venting, identifying, reporting, introlling infections and uses for all residents, staff, and other individuals	F 441	F 441 1. (a) On 9/13/17 dietary aide #1 was re- on the infection control practice of keep facial hair covered. 2. The facility has determined that all res have the potential to be affected by th practice. 3. On 9/21/17 all dietary staff were re-ed on the infection control practice of kee facial hair covered. 4. The Registered Dietician, Kitchen Sup Director of Nursing and/or Administrate conduct audits of dietary staff for cover facial hair 4 times a week for 4 weeks, times a week for 2 months to ensure compliance	sidents is ucated eping pervisor, or will ring of	

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	T OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:			E CONSTRUCTION	(X3) DATE SURVEY COMPLETED	
		445443	B. WING			09/	13/2017
	PROVIDER OR SUPPLIER WBROOK NURSING O	ENTER		12	TREET ADDRESS, CITY, STATE, ZIP CODE 245 E COLLEGE ST ULASKI, TN 38478		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFI TAG	REFIX (EACH CORRECTIVE ACTION SHOULD			(X5) COMPLETION DATE
F 441	arrangement based conducted accordin accepted national s implementation is P (2) Written standard for the program, whe limited to: (i) A system of surver possible communicate before they can spread facility; (ii) When and to whe communicable disease reported; (iii) Standard and tractor be followed to pread to be followed to pread to be followed to pread to be followed, and (B) A requirement the least restrictive possible circumstances. (v) The circumstance must prohibit employ disease or infected secontact with resident contact will transmit	upon the facility assessment g to §483.70(e) and following tandards (facility assessment hase 2); Is, policies, and procedures ich must include, but are not eillance designed to identify able diseases or infections ead to other persons in the empossible incidents of ase or infections should be ensmission-based precautions event spread of infections; solation should be used for a ut not limited to: ration of the isolation, infectious agent or organism at the isolation should be the eible for the resident under the ess under which the facility wees with a communicable skin lesions from direct is or their food, if direct	F 4	.41	Continued from page 3 Results of audits will be reviewed mont the QAA committee which consists of DA Asministrator, Medical Director and ICF concerns will be addressed immediately any trends will be discussed for resolution Date: 10/27/17 Completion Date: 10/27/17	OON, P. Any y and	

PRINTED: 09/21/2017 FORMAPPROVEDP OMB NO. 0938-0391

	FOF DEFICIENCIES DEF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:			LE CONSTRUCTION	(X3) DATE SURVEY COMPLETED	
		445443	B. WING			09/	13/2017
NAME OF	PROVIDER OR SUPPLIER			S	STREET ADDRESS, CITY, STATE, ZIP CODE		
MEADO\	WBROOK NURSING C	ENTER			245 E COLLEGE ST PULASKI, TN 38478		
(X4) ID PREFIX TAG	(EACH DEFICIENCY	TEMENT OF DEFICIENCIES MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFI TAG		PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD CROSS-REFERENCED TO THE APPROPI DEFICIENCY)	BE	(X5) COMPLETION DATE
	(4) A system for recunder the facility's II actions taken by the (e) Linens. Personr process, and transp spread of infection. (f) Annual review. Tannual review of its program, as necess This REQUIREMEN by: Based on observatifailed to ensure food under sanitary cond. Dietary Aide working without a covering for The findings include. Observation on 9/12 Department revealed the chemical sanitath his facial hair. Interview with the Reg 9/12/17 at 7:35 AM if revealed the facility of cover their hair. Whe should have his bea "yes." The RD confir	direct resident contact. ording incidents identified PCP and the corrective facility. nel must handle, store, ort linens so as to prevent the PCP and update their ary. IT is not met as evidenced on and interview, the facility was prepared and served itions as evidenced by 1 in the Dietary Department or his facial hair.	F4	41			
1		160		1			

Division of Health Care Facilities

	IT OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING:		(X3) DATE SURVEY COMPLETED	
		TN2802	B. WING		09/13/2017	
	PROVIDER OR SUPPLIER VBROOK NURSING C	1245 E C	ODRESS, CITY, S OLLEGE ST I, TN 38478	STATE, ZIP CODE		
(X4) ID PREFIX TAG	(EACH DEFICIENCY	TEMENT OF DEFICIENCIES 'MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOUL CROSS-REFERENCED TO THE APPROL DEFICIENCY)	D BE COMPLETE	
N 000	#39914 were compl	and complaint investigation leted on 9/11/17-9/13/17. No ted under Chapter 1200-8-6, ng Homes.	N 000			
Vivision of Hor	alth Care Facilities					

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

PKINTED: 09/14/2017 FORM APPROVED OMB NOe 0938108895

	T OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER;		TIPLE CONSTRUCTION ING 01 - MAIN BUILDING 01	(X3) DATE SURVEY COMPLETED	
		445443	B. WING		09/11/2017	
	PROVIDER OR SUPPLIER WBROOK NURSING O	ENTER		STREET ADDRESS, CITY, STATE, ZIP CODE 1245 E COLLEGE ST PULASKI, TN 38478	0071112011	
(X4) ID PREFIX TAG	IX (EACH DEFICIENCY MUST BE PRECEDED BY FULL		ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD CROSS-REFERENCED TO THE APPROPE DEFICIENCY)	BE COMPLETION	
K 000	INITIAL COMMENT	S	K 0	00		
SS=D	State of Tennessee Division of Health Li Office of Health Car 09/11/2017. During Meadowbrook Nursi substantial compliar participation in Medi Subpart 483.70(a), I related National Fire (NFPA) standard 10 The requirement at a is NOT MET as evid NFPA 101 Hazardou Hazardous Areas - E 2012 EXISTING Hazardous areas are having 1-hour fire refire rated doors) or a system in accordance approved automatic option is used, the a other spaces by smodoors in accordance self-closing or autom have nonrated or fiel that do not exceed 4 the door. Describe the floor ar	42 (CFR), Subpart 483.70(a) enced by: is Areas - Enclosure Enclosure enceted by a fire barrier sistance rating (with 3/4-hour n automatic fire extinguishing se with 8.7.1. When the fire extinguishing system reas shall be separated from oke resisting partitions and with 8.4. Doors shall be natic-closing and permitted to d-applied protective plates 8 inches from the bottom of the day of the deficient in REMARKS. Automatic Sprinkler	K 32	1. Maintenace Supervisor contacted Doc on 9/27/17 to obtain bid for kitchen dry st door and frame replacement. 2. The kitchen was the only area affected deficient practice. 3. Maintenance Supervisor, Kitchen Sup Registered Dietician and/or Administrato monitor door for compliance 2 times a weak after installation. 4. Maintenance Supervisor, Kitchen Sup Registered Dietician and/or Administrato monitor door for compliance 3 times a m 2 months. Results will be brought to the QAA communitor door for compliance 3 times a m 2 months. Results will be brought to the QAA communication and ICP. Any concerns with addressed immediately and trends will be discussed for resolution. Completion Date: 10/27/17	torage d by this ervisor, r will eek for ervisor, r will onth for	

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

PRINTED: U9/14/2017 FORM APPROVED OMB NO: 0938-0394P

	T OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	1	TIPLE CONSTRUCTION ING 01 - MAIN BUILDING 01	(X3) DATE SURVEY COMPLETED	
		445443	B. WING		09/	/11/2017
	PROVIDER OR SUPPLIER WBROOK NURSING C	ENTER		STREET ADDRESS, CITY, STATE, ZIP CODE 1245 E COLLEGE ST PULASKI, TN 38478		13.1111
(X4) ID PREFIX TAG	(EACH DEFICIENCY	TEMENT OF DEFICIENCIES 'MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTIO ((EACH CORRECTIVE ACTION SHOULD CROSS-REFERENCED TO THE APPROP	BE	(X5) COMPLETION DATE
K 321	b. Laundries (larger c. Repair, Maintena d. Soiled Linen Roo e. Trash Collection (exceeding 64 gallo f. Combustible Stora (over 50 square fee g. Laboratories (if cl Hazard - see K322) This STANDARD is Based on observatifailed to maintain the The finding included Observation and tes revealed the kitcher not self-within the fra (2012 Edition)	than 100 square feet) nce, and Paint Shops ms (exceeding 64 gallons) Rooms ns) age Rooms/Spaces t) lassified as Severe s not met as evidenced by: ions and testing, the facility e hazardous areas. d: sting on 9/11/17 at 10:58 AM, in dry storage room door did ame. NFPA 101, 19.3.2.1	. Кз	21		
K 324 SS=D	deficiency was ident acknowledged by th conference on 9/11/NFPA 101 Cooking Cooking Facilities Cooking Facilities Cooking equipment with NFPA 96, Standard Fire Protection Coperations, unless: * residential cooking appliances such as toasters) are used for cooking in accordan * cooking facilities of compartments with 3		" К 3:	24		

PKINTED: 09/14/2017 FORM APPROVED OMB NOB0938F0894pp

CENT	KO FOR MEDICAN	E & MEDICAID SERVICES	0				NAR MORORAGE MARA	
STATEMEN [*]	T OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	1 ' '		E CONSTRUCTION 01 - MAIN BUILDING 01		SURVEY PLETED	
		445443	B. WING			09/1	1/2017	
NAME OF	PROVIDER OR SUPPLIER			S	TREET ADDRESS, CITY, STATE, ZIP CODE			
				1:	245 E COLLEGE ST			
MEADO\	WBROOK NURSING	CENTER		Р	ULASKI, TN 38478		_	
(X4) ID PREFIX TAG	(EACH DEFICIENC	ATEMENT OF DEFICIENCIES Y MUST BE PRECEDED BY FULL LSC IDENTIFYING INFORMATION)	ID PREFI TAG		PROVIDER'S PLAN OF CORRECTIO (EACH CORRECTIVE ACTION SHOULD CROSS-REFERENCED TO THE APPROF DEFICIENCY)) BE	(X5) COMPLETIO DATE	
K 324	or * cooking facilities 30 or fewer patient 18.3.2.5.4, 19.3.2.5 Cooking facilities p per 9.2.3 are not re hazardous areas, t corridor. 18.3.2.5.1 through 19.3.2.5.5, 9.2.3, T	in smoke compartments with as comply with conditions under 5.4. brotected according to NFPA 96 equired to be enclosed as out shall not be open to the 18.3.2.5.4, 19.3.2.5.1 through 1A 12-2 is not met as evidenced by: tions and interview, the facility naintain the cooking equipment.	КЗ	324	 (a) Maintenace Supervisor removed metalabove commercial cooktop obstructing and on 9/11/17. (b) The kitchen was the only area affected deficient practice. (c) Shelf removed an no further monitoring the manual pull station from obstructing the manual pull station food suppression system. 9/11/17 dietalaboresent educated on the proper practice obstructing the manual pull station for the suppression system. (b) The kitchen was the only area affected deficient practice. (c) All dietary staff re-educated on 9/21/the proper practive for not obstructing the pull station for the hood suppression system. (d) Kitchen Supervisor, Registered Dietimaintenance Supervisor and/or the Admit will monitor area for compliance 3 times a for 4 weeks and then 3 times a week for 	sil system I by this I required. Ily removed or the ry staff of not hood I of hood I of manual em. sian, nistrator a week		
	the commercial co- system had a meta discharge spray pa all points of the co- (2012 Edition) NFF 2. Observation on the commercial kit- pull station was ob cans. NFPA 101, 1 96, 10.5.1 (2011 Ed.) 3. Interview with kit- AM, revealed two (unaware of the cor- on how to manually	tchen staff on 9/11/17 at 10:56 2) kitchen staff members were rect procedures and policies y operate the ansil system. 5.3 (2012 Edition) NFPA 96,			3. (a) On 9/11/17 dietary staff present on the proper procedure for manual operating the hood suppression sys (b) The kitchen is the only area affect this deficient practice. (c) On 9/21/17 all dietary staff re-ed on the proper procedure for manual operating the hood suppression sys (d) Registered Dietician, Kitchen Su Maintenance Supervisor and/or Admill audit staff for competencey 3 tim week for 4 weeks then 3 times a more for 2 months for compliance. All findings will be brought to the QAA of which consists of the DON, Medical Direct Administrator and ICP. Any concerns we addressed immediately and trends will be discussed. Completion Date: 10/27/17	tem. cted by ucated by tem. pervisor ninistrator nes a nth ommittee ector, vill be		

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	OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	' '	PLE CONSTRUCTION G 01 - MAIN BUILDING 01	(X3) DATE SURVEY COMPLETED	
		445443	B. WING		09/	11/2017
	PROVIDER OR SUPPLIER VBROOK NURSING C	CENTER		STREET ADDRESS, CITY, STATE, ZIP CODE 1245 E COLLEGE ST PULASKI, TN 38478	ā	
(X4) ID PREFIX TAG	(EACH DEFICIENCY	TEMENT OF DEFICIENCIES / MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD CROSS-REFERENCED TO THE APPROP	BE	(X5) COMPLETION DATE
K 324	Continued From pa	ge 3	K 324			
SS=D	deficiencies were id acknowledged by the conference on 9/11/NFPA 101 Fire Alarm Maintenance Fire Alarm System - A fire alarm system accordance with an with the requirement Electric Code, and hand Signaling Code acceptance, mainte available. 9.7.5, 9.7.7, 9.7.8, and the system accordance with an with the requirement Electric Code, and hand Signaling Code acceptance, mainte available. 9.7.5, 9.7.7, 9.7.8, and the system are alarm and the fire alarm wall in the corridor big 19.3.4.5.1 (2012 Edition) NFPA 2. Observation on 9/manual fire alarm pure alarm properties.	Testing and Maintenance is tested and maintained in approved program complying its of NFPA 70, National NFPA 72, National Fire Alarm Records of system nance and testing are readily and NFPA 25	K 345	1. (a) Manual fire pull station was repaire 9/28/17 (b) This is the only area affected by the practice. (c) Maintenance Supervisor, Houseke Supervisor and/or Administrator will a manual fire pull stations 2 times a we weeks for compliance. (d) Maintenance Supervisor, Houseke Supervisor and/or Administrator will a fire pull stations 2 times a month for 2 for compliance. 2. (a) Emergency nurse call station was from housekeeping closet on 9/11/17 exposed wires. (b) This was the only area affected by deficient practice. (c) Maintenance Supervisor, Houseke Supervisor and/or Administrator will emergency nurse call station 2 times for 4 weeks for compliance. (d) Maintenance Supervisor, House Supervisor and/or Administrator will all emergency nurse call stations 2 week for 2 months for compliance. All findings will be brought to the QAA owhich consists of the DON, Medical Dir Administrator and ICP. Any concerns addressed immediately and trends discontinuations.	eping udit all ek for 4 eping udit all months removed to remove the removed at t	re

PRINTED: 09/14/2017 FORM APPROVED OMB NO: 0938-03919

	T OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER;	1 ' '	PLE CONSTRUCTION G 01 - MAIN BUILDING 01		E SURVEY PLETED
		445443	B. WING		09/	11/2017
	PROVIDER OR SUPPLIER WBROOK NURSING O	ENTER		STREET ADDRESS, CITY, STATE, ZIP CODE 1245 E COLLEGE ST PULASKI, TN 38478		
(X4) ID PREFIX TAG	(EACH DEFICIENCY	TEMENT OF DEFICIENCIES MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTIO (EACH CORRECTIVE ACTION SHOULD CROSS-REFERENCED TO THE APPROP DEFICIENCY)	BE	(X5) COMPLETION DATE
K 345	Continued From pa	ge 4	K 34	5		
	deficiencies were id acknowledged by th conference on 9/11/	1.1		K 353		
K 353 SS=D	Testing Sprinkler System - It Automatic sprinkler inspected, tested, a with NFPA 25, Stand Testing, and Maintal Protection Systems maintenance, inspec maintained in a sect available. a) Date sprinkler sy b) Who provided sy c) Water system su Provide in REMARK	ystem last checked	K 350	1. Maintenance Director contacted Columbia 9/27/17 to replace all identified sprinkler co Front entrance, Laundry room, Shower ro hall, room 200 inside doorway, room 212 room, room 213 inside closet, ice room or Corridor across from room 102, room 104 bathroom, cooridor outside room 106, Sho on 100 hall, room 116 bathroom, kitchen v. 2. These were the only areas identified affected deficient practice. 3. Maintenance Supervisor, Housekeeping Stand/or Administrator will audit all sprinkler of 2 times a week for 4 weeks for compliance. 4. Maintenance Supervisor, Housekeeping Stand/or Administrator will audit sprinkler con 2 times a month for 2 months for compliance. All findings will be brought to the QAA committicensists of the DON, Medical Director, Adminitends will be discussed.	mponents om on 200 center of n 200 half, in ower room wash area ed by this upervisor, component upervisor, nponents ie.	s
	system. 9.7.5, 9.7.7, 9.7.8, a This STANDARD is Based on observati maintain the sprinkle	nd NFPA 25 not met as evidenced by: ons, the facility failed to er system.		Completion Date: 10/27/17		
	revealed rusted/corr sprinklers in the follo A. Front entrance by	1/17 at 9:20 AM-10:51 AM, oded/painted components of wing locations:				55

PRINTED: 09/14/2017 FORM APPROVED OMB NO: 0938-089P

	OF DEFICIENCIES F CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 (X3) DATE S COMPL			
		445443	B. WING		09/11/	/2017
NAME OF P	ROVIDER OR SUPPLIER			STREET ADDRESS, CITY, STATE, ZIP CODE		
MEADOWBROOK NURSING CENTER				1245 E COLLEGE ST PULASKI, TN 38478		
(X4) ID PREFIX TAG	(EACH DEFICIENCY	TEMENT OF DEFICIENCIES MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFI TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD CROSS-REFERENCED TO THE APPROPRIED TO T	BE C	(X5) COMPLETION DATE
K 363	D. Room 200 inside (painted sprinklers) E. Room 212 center F. Room 213 closet G. Ice room rusted st. Corridor sprinkler I. Room 104 bathrood J. Corridor sprinkler (painted) K. Shower room acr sprinklers corroded L. Room 116 bathroom M. Kitchen wash are 101, 19.3.5.1 (2012 (2012 Edition) NFPA NFPA 25, 5.2.1.1.2 (5.2.1.1.4 (2011 Edition) Maintenance staff with the strength of the the stren	ross from 200, (corrosion) doorway and in the closet r sprinkler corrosion sprinkler corroded and rusted sprinkler r across from 102 (paint) om sprinkler painted outside of room 106 ross from 106, 1 of 2 com sprinkler (painted) ea (1 of 2 corroded). NFPA Edition) NFPA 101, 9.7.1.1 v 13, 26.1 (2010 Edition) v 2011 Edition) NFPA 25, on) ras present when these entified and they were later e administrator during the exit	K 3			
	required enclosures hazardous areas sha as those constructed core wood, or capab 20 minutes. Doors in compartments are o passage of smoke. I means suitable for k	ridor openings in other than of vertical openings, exits, or all be substantial doors, such dof 1-3/4 inch solid-bonded ble of resisting fire for at least in fully sprinklered smoke nly required to resist the Doors shall be provided with a eeping the door closed.				

PRINTED: 09/14/2017 FORM APPROVED OMB NO 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:				E SURVEY PLETED
	445443	B. WING		ng/·	11/2017
NAME OF PROVIDER OR SUPPLIER			STREET ADDRESS, CITY, STATE, ZIP CODE	1 037	11/201/
7, 1, 1, 1, 2, 1, 1, 1, 2, 1, 2, 1, 2, 1, 1, 2, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,			1245 E COLLEGE ST		
MEADOWBROOK NURSING CENTER			PULASKI, TN 38478		
PREFIX (EACH DEFICIENCY	TEMENT OF DEFICIENCIES MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD CROSS-REFERENCED TO THE APPROPI DEFICIENCY)	BE	(X5) COMPLETION DATE
floor covering is not latches are prohibite corridor doors and roor combustible mater complying with 7.2.1 devices that release pulled are permitted of unlimited height a meeting 19.3.6.3.6 a Door frames shall be or other materials in the smoke compartrestrictions in area of frames in window as 19.3.6.3, 42 CFR Pa and 485 Show in REMARKS protection ratings, at etc. This STANDARD is Based on observation maintain the corridor The finding included Observation on 9/11/revealed trash contapatient room doors of a. 114 b. 115 c. 116. NFPA 101, 19 Maintenance staff was deficiency was identifications.	etween bottom of door and exceeding 1 inch. Roller ed by CMS regulations on come containing flammable erials. Powered doors 1.9 are permissible. Hold open when the door is pushed or Nonrated protective plates are permitted. Dutch doors are permitted. Elabeled and made of steel compliance with 8.3, unless ment is sprinklered. Fixed fire are allowed per 8.3. In ments there are no are fire resistance of glass or semblies. The area of the sembles are sembled to doors such as fire utomatics closing devices, and the facility failed to redoors. 1. (17 at 10:40 AM-11:24 AM, iners propping the following open: 2.3.6.3.1 (2012 Edition) 2.3.6.3.1 (2012 Edition) 2.3.6.3.1 (2012 Edition) 3.3.6.3.1 (2012 Edition)	K 363	1. Trash cans immediately removed from propping room doors open to rooms 114, 115 and 116 2. These were the only areas affected by deficient practice. 3. Maintenance Supervisor installed mag the back of affected room doors to ma opening without obstruction. 4. Maintenance Supervisor, Housekeepin Supervisor and/or Administrator will at for no propping open by trash cans 3 tweek for 3 months. All findings will be brought to the QAA co which consists of the DON, Medical Direct Administrator and ICP. Any concerns will addressed immediately and trends will be discussed. Completion Date: 10/27/17	this nets to intain ng udit doors imes a mmittee tor, I be	

PRINTED: 09/14/2017 FORM APPROVED OMB NO 0938-03990

	T OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	1, ,		E CONSTRUCTION 01 - MAIN BUILDING 01		E SURVEY IPLETED
		445443	B. WING	-		09/	11/2017
,	(EACH DEFICIENCY	CENTER TEMENT OF DEFICIENCIES MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFIX TAG	1 F	PROVIDER'S PLAN OF CORRECTION CHASKI, TN 38478 PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD CROSS-REFERENCED TO THE APPROPRI	BE	(X5) COMPLETION DATE
K 511 SS=D	NFPA 101 Utilities - Utilities - Gas and E Equipment using ga complies with NFPA electrical wiring and NFPA 70, National E installations can con hazard to life. 18.5.1.1, 19.5.1.1, 9 This STANDARD is Based on observati maintain the electric The findings include 1. Observation on 9 an electrical outlet to room 103. NFPA 10 NFPA 101, 9.1.2 (20 (2011 Edition) 2. Observation on 9 revealed electrical ju missing in the follow a. Above the ceiling b. Above the ceiling office. NFPA 101, 19 101, 9.1.2 (2012 Edition) Maintenance staff w deficiencies were ide acknowledged by the conference on 9/11/	Gas and Electric Electric as or related gas piping A 54, National Fuel Gas Code, I equipment complies with Electric Code. Existing Intinue in service provided no D.1.1, 9.1.2 Is not met as evidenced by: Is not, the facility failed to It call system. In the facility failed to It c	К 5		DEFICIENCY)	on 9/11/ this eping udit veeks eeping udit months vers eas; ceiling d by this all liance bliance nue with to	117
K 521	NFPA 101 HVAC		K 52	211			

PRINTED: 09/14/2017 FORM APPROVED OMB NO. 0938-0391

	T OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:			E SURVEY PLETED	
		445443	B. WING		09/	11/2017
	PROVIDER OR SUPPLIER WBROOK NURSING C	CENTER		STREET ADDRESS, CITY, STATE, ZIP CODE 1245 E COLLEGE ST PULASKI, TN 38478		
(X4) ID PREFIX TAG	(EACH DEFICIENCY	TEMENT OF DEFICIENCIES / MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD CROSS-REFERENCED TO THE APPROPE DEFICIENCY)	BE	(X5) COMPLETION DATE
K 521 SS=F	HVAC Heating, ventilation, comply with 9.2 and accordance with the specifications. 18.5.2.1, 19.5.2.1, 9 This STANDARD is Based on document maintain the HVAC The finding included Document review or revealed the facility documentation for a inspection. NFPA 10, NFPA 101, 9.2.1 (20, 5.4.7.1 (2012 Edition) The regional mainte when this deficiency	and air conditioning shall I shall be installed in e manufacturer's 2.2 3 not met as evidenced by: at review, the facility failed to system. 3: a 9/11/17 AT 10:30 AM, failed to provide four (4) year fire damper 11, 19.5.2.1 (2012 Edition) 12 Edition) NFPA 90A, a) NFPA 80, 19.4 (2010 mance director was present was identified and it was e administrator during the exit	K 52	1. Maintenance Supervisor contacted cor 9/27/17 to do bid for installation of dam 2. The documentation of a 4 year damper inspection is the only area affected by deficient practice. 3. After installation of dampers to HVAC sinspection will be completed. 4. Maintenance Supervisor and/or Admin will maintain 4 year fire damper inspective per regulation. QAA committe which consists of the DON Director, Adminstrator and ICP will be infedeficiency and resolution. Completion Date: 10/27/17	this system, strator tion as	

Division of Health Care Facilities

	I OF CORRECTION	IDENTIFICATION NUMBER:		LE CONSTRUCTION 6: 02 - STATE BUILDING	(X3) DATE SURVEY COMPLETED
		TN2802	B. WING		09/11/2017
NAME OF	PROVIDER OR SUPPLIER	STREET AD	DRESS, CITY,	STATE, ZIP CODE	
MEADO	WBROOK NURSING C	ENIER	OLLEGE ST , TN 38478		
(X4) ID PREFIX TAG	(EACH DEFICIENCY	TEMENT OF DEFICIENCIES 'MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOUL) CROSS-REFERENCED TO THE APPROPOLICIENCY)	D BE COMPLETE
	maintain the condition the overall nursing hamanner that the safe residents are assured. This Rule is not me Based on observation maintain the overall. The findings include Observation on 9/11, revealed penetration locations: a. Electrical room abstop installation. b. Laundry room behatch) c. Above the ceiling lelectrical conduit pard. 1 ceiling blowout pard. 1 ceiling blowout pard. 200 hall therapy. f. Interview with main regional maintenance with inspector observational maintenance with inspector observations. Above ceiling at the throughout the entire g. Above ceiling at the next to the director of and (2 holes in the wistuds).	shall construct, arrange, and on of the physical plant and nome environment in such a ety and well-being of the ed. It as evidenced by: ons, the facility failed to nursing home environment. It at 9:24 AM-11:27 AM, a deficiencies in the following pove the door improper fire hind dryers (ceiling blowout by the 200 hall therapy and tially embedded in the wall, patch by the 200 hall therapy, ches above ceiling by the antenance director and edirector confirms (along vations) that the sprinkler ing the ceiling and not e 200 hall therapy and	N 831	1. Maintenance Supervisor contacted 2 to do a bid on new sprinkler system in to allow identified areas to be brought compliance. 2. The sprinkler system improper installathe area affected by this deficient prast. 3. Will request a waiver to allow more times and/or replace of sprinkler system.	stallation to ation is ctice. ne to
		R/SUPPLIER REPRESENTATIVE'S SIGNA	ATURE	TITLE	(X6) DATE

TITLE

(X6) DATE

Division of Health Care Facilities

	NT OF DEFICIENCIES N OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:		LE CONSTRUCTION b: 02 - STATE BUILDING	(X3) DATE SURVEY COMPLETED	
***		TN2802	B, WING		09/*	11/2017
NAME OF	PROVIDER OR SUPPLIER	STREET AD	DRESS, CITY,	STATE, ZIP CODE	,	
MEADO'	WBROOK NURSING C	FNIFR	OLLEGE ST , TN 38478			
(X4) ID PREFIX TAG	(EACH DEFICIENCY	TEMENT OF DEFICIENCIES MUST BE PRECEDED BY FULL SC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTIC (EACH CORRECTIVE ACTION SHOUL) CROSS-REFERENCED TO THE APPROF DEFICIENCY)	DBE	(X5) COMPLETE DATE
N 831	- Peeling sheetrock - Unsealed penetrat - Red plastic water if firestopped (mixed) - Blowout patch (wal i. Improper fire stop going through wall a j. Improper fire stop going through wall a coordination room. k. Blowout patch abo boiler room. l. Cross corridor fire director of nursing al -1 inch metal conduit - ½ inch pvc (gray) n correctly at the base - Blowout patch abo the corridor. NFPA 10 Maintenance staff wa deficiencies were ide	tape (ceiling) ion (low voltage wire) ine penetration improperly II) application on sprinkler line bove ceiling by room 109. application on sprinkler line bove ceiling by care plan ove ceiling by the 200 hall doors next to the assistant bove ceiling: t not sealed on the end ot sealed on the end or ve fire doors with the width of 01, 8.3.5 (2012 Edition) as present when these entified and they were later e administrator during the	N 831			
	THE STATE OF THE S				I	



November 17, 2017

Ms. Jennifer Raymer, Administrator Meadowbrook Nursing Center 1245 E. College St. Pulaski, TN 38474

RE: 44-5443

Dear Ms. Raymer:

The Middle Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety recertification survey at your facility on September 11-13, 2017.

Based on a review of your plan of correction for deficiencies cited as a result of the survey on September 13 2017, your plan of correction has been accepted and we assume your facility is in substantial compliance with all participation requirements as of October 27, 2017.

If our office may be of assistance to you, please feel free to call (615) 532-7000.

Sincerely,

Donna Smith PHRRPM

Middle TN Regional Office Facilities

Journa Smith

DJS/DVO

07/05/2018

Page 177 of 178-App

0003017388

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all Interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

Meadowbrook Health and Rehabilitation Center, Inc., a Tennessee corporation doing business as Meadowbrook Health and Rehabilitation Center, which is a subsidiary of American Health Companies, Inc. (a Tennessee corporation), and to be managed by Tennessee Health Management, Inc. (a Tennessee corporation), Intends to file an application for a Certificate of Need for the relocation and construction of a replacement facility. The current 83 bed facility is located at 1245 East College Street, Pulaski, Tennessee 38478. The proposed relocation and new 83 bed facility will be located on an unaddressed parcel on the north side of East College Street, which is the parcel immediately adjacent to the northeast portion of the existing parcel on which the current facility is located (the existing parcel is on the south side of East College Street). The proposed facility will be located on that 8.45 acre parcel, which is identified as Parcel ID 097-057.01 in the property records of Giles County. The estimated project cost is \$13,894,436.25.

The current facility holds license #92 from the Tennessee Department of Health and will continue its current licensure as a licensed nursing home once the replacement facility is completed. The facility will also continue its certification for Medicare and Medicaid/TennCare. No new services are being initiated and no additional beds are requested.

The anticipated date of filing the application is: July 13, 2018. The contact person for this project is Christopher Puri who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, 37203 Phone: 615-252-4643; Email: cpur l@bradley.com.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

Jason Bailey, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T.C.A. § 68-11-1601, et seq., and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

Jason Bailey

Director of Corporate Development

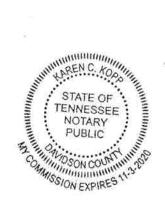
Sworn to and subscribed before me this the 2 day of Public in and for the County of Williamson, State of Te , State of Tennessee

NOTARY PUBLIC

My Commission expires 1/-3-2020

HF-0056

Revised 7/02 - All forms prior to this date are obsolete



AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

Christopher C. Puri, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T.C.A. § 68-11-1601, et seq., and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

Christopher C. Puri Attorney for Applicant

NOTARY

Sworn to and subscribed before me this the day of Public in and for the County of Widson, State of Tennessee.

NOTARY PUBLIC

My Commission expires

HF-0056
Revised 7/02 - All forms prior to this date are obsolete



State of Tennessee Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 **www.tn.gov/hsda** Phone: 615-741-2364 Fax: 615-741-9884

August 1, 2018

Christopher C. Puri Bradley Arant Boult Cummings LLC 1600 Division Street, Suite 700 Nashville, TN 37203

RE: Certificate of Need Application – Meadowbrook Health & Rehabilitation Center, Inc- CN1807-031

The relocation and replacement of an existing dually certified nursing home with 83 licensed beds located at 1245 East College Street, Pulaski (Giles County), TN to an unaddressed 8.45 acre parcel on the north side of East College Street, immediately adjacent to the parcel on which the existing facility is located. The project involves no new beds and services and is not subject to the FY 19 Nursing Home Bed Pool. Meadowbrook Health & Rehabilitation Center, Inc. is a wholly owned subsidiary of American Health Centers, Inc. of Parsons (Decatur County), TN. The estimated project cost is \$13,894,436.25.

Dear Mr. Puri:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health, Division of Policy, Planning, and Assessment for Certificate of Need review. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 30-day review cycle for **CONSENT CALENDAR** for this project will begin on August 1, 2017. The first thirty (30) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the thirty (30)-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review. You will receive a copy of their findings. The Health Services and Development Agency will review your application on October 24, 2018.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

Melanie M. Hill Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA

respon



State of Tennessee **Health Services and Development Agency**

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO:

Trent Sansing, CON Director

Office of Policy, Planning and Assessment

Division of Health Statistics

Andrew Johnson Tower, 2nd Floor 710 James Robertson Parkway Nashville, Tennessee 37243

FROM:

Melanie M. Hi **Executive Director**

DATE:

August 1, 2018

RE:

Certificate of Need Application

Meadowbrook Health & Rehabilitation Center, Inc- CN1807-031 CONSENT CALENDAR

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a CONSENT CALENDAR thirty (30) review period to begin on August 1, 2018 and end on September 1, 2018.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc:

Christopher C. Puri



Christopher C. Puri Counsel cpuri@bradley.com 615.252.4643 direct





July 10, 2018

VIA HAND DELIVERY

Ms. Melanie Hill
Tennessee Health Services and Development Agency
500 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

Re: Letter of Intent to Apply for Certificate of Need – Meadowbrook Health and

Rehabilitation Center, Inc.

Dear Melanie:

Please find attached a Letter of Intent to apply for Meadowbrook Health and Rehabilitation Center, Inc., which intends to file an application for a Certificate of Need for an eighty-three (83) bed replacement nursing home facility as outlined in the attached notice. Notice is running concurrently today in the Tennessean newspaper.

Should you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

By:

Christopher C. Puri

CCP/ced Enclosure

LETTER OF INTENT

The Publication of Intent is to be published in the Tennessean, which is a newspaper of general circulation in the county of Giles, Tennessee, on or before July 10, 2018 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Meadowbrook Health and Rehabilitation Center, Inc., a Tennessee corporation doing business as Meadowbrook Health and Rehabilitation Center, which is a subsidiary of American Health Companies, Inc. (a Tennessee corporation), and to be managed by Tennessee Health Management, Inc. (a Tennessee corporation), intends to file an application for a Certificate of Need for the relocation and construction of a replacement facility. The current 83 bed facility is located at 1245 East College Street, Pulaski, Tennessee 38478. The proposed relocation and new 83 bed facility will be located on an unaddressed parcel on the north side of East College Street, which is the parcel immediately adjacent to the northeast portion of the existing parcel on which the current facility is located (the existing parcel is on the south side of East College Street). The proposed facility will be located on that 8.45 acre parcel, which is identified as Parcel ID 097-057.01 in the property records of Giles County. The estimated project cost is \$13,894,436.25.

The current facility holds license #92 from the Tennessee Department of Health and will continue its current licensure as a licensed nursing home once the replacement facility is completed. The facility will also continue its certification for Medicare and Medicaid/TennCare. No new services are being initiated and no additional beds are requested.

The anticipated date of filing the application is: July 13, 2018. The contact person for this project is Christopher Puri who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, 37203 Phone: 615-252-4643;

Signature

Date:

cpuri@bradley.com.

Email

The Letter of Intent must be <u>filed in triplicate</u> and <u>received between the first and the tenth</u> day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Supplemental #1 (Original)

Meadowbrook Health &

Rehabilitation Center, Inc

CN1807-031

Supplemental #1

July 27, 2018 3:37 P.M.

Responses to July 25, 2018 First Supplemental Questions -Meadowbrook Health & Rehabilitation Center, Inc. (CN1807-031) Submitted July 27, 2018

Published Letter of Intent

Review of the July 5, 2018 published LOI on page 177 of the application revealed that the name of the newspaper of general circulation is missing from the mast.

The CON application was submitted to HSDA on July 13, 2018 which appears to be six (6) days from the date of publication in lieu of five (5) days or less as required by HSDA statute.

Please clarify. In your response, please resubmit a copy of the published LOI for this project with date and mast intact or a Publisher's Affidavit confirming the date the LOI was published.

RESPONSE: A copy of the publisher's affidavit and the newspaper tear sheet is provided at Attachment First Supplemental - Letter of Intent. These were received from the Tennessean after the filing of the CON.

The notice of intent appeared in the July 10, 2018 edition of the Tennessean and the CON was filed on July 13, 2018. This timing for the CON complies with T.C.A. § 68-11-1607. The July 5 date on the notice included with the original CON appears to correspond to the date the proof for the legal notice was created by the paper.

1. Section A, Applicant Profile, Item 1

The address provided appears to be the location of the existing 83 bed nursing home. The location identified in the LOI is noted as follows:

"an unaddressed parcel on the north side of East College Street, which is the parcel immediately adjacent to the northeast portion of the existing parcel on which the current facility is located."

Please clarify.

RESPONSE: The address listed in the application (1245 East College Street) is the current address of the current facility. To correspond with the proposed project address, we have modified page 2 of the application to reflect the address as "an unaddressed parcel on the north side of East College Street." A revised page 1 (labeled as page 1R) is included as Attachment First Supplemental - Question #1.

CN1807-031 First Supplemental Responses July 27, 2018 Page 2 July 27, 2018 3:37 P.M.

2. Section A, Applicant Profile, Items 3 and 4

Please identify which county Parsons is in and submit a Replacement Page 3.

RESPONSE: The facility and proposed relocation are located in Giles County. The applicant's corporate address is in Parsons, Tennessee, which is located in Decatur County. A revised page 3 (labeled as page 3R) is included as Attachment First Supplemental – Question #2.

3. Section A, Item 3.A., Executive Summary (Overview) (pages 10 and 11)

<u>Description</u>: There are several references on pages 10 and 11 of the response that are in error, including the facility's status as a proposed mental health hospital, licensure by TDMHSAS, and an unknown address (in Clarksville (Montgomery County).

Please revise and submit a corrected version labeled as replacement pages 10R and 11R. Further, please re-edit and identify other parts of the application that may contain similar erroneous information and resubmit replacement pages, as appropriate.

Please include a brief description of the amenities provided by the proposed facility that promotes resident independence, organized activities, resident privacy, and a residential home-like environment, while at the same time maximizing safety. Also, please provide a brief description of the physical plant and the type of rehabilitation services available.

<u>Ownership Structure:</u> The applicant states that it is wholly owned by American Health Centers, Inc. (AHC). However, the owner is identified in Section A, Project Details, Item D (page 3) as Meadowbrook Health and Rehabilitation Center, Inc. Please clarify. If ownership by AHC is the case, please revise and submit a replacement page 3R.

In your response, please also provide a listing of the long-term facilities that American Health Centers owns and/or operates. In the listing, please indicate if the applicant owns or operates each facility and the period of time.

RESPONSE:

<u>Description:</u> Corrected pages 10 and 11 (labeled as page 10R and 11R) are included as Attachment First Supplemental – Question #3-1, and reflect the removal of references to a proposed mental health hospital. No other such references appear in the filed CON Application.

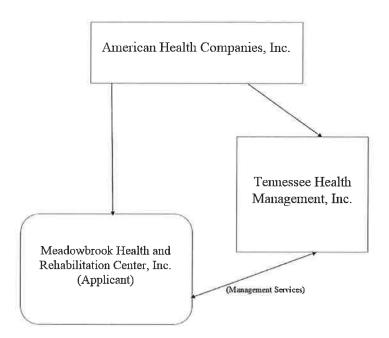
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July 27, 2018 3:37 P.M.

The facility's physical plant will be a modern single story skilled nursing facility with various resident wings and other areas as noted on the floor plan and square footage chart submitted with the application. The concept behind the new facility is to make residents feel they live in a small city connected to the outside community at large. To support this concept, the main core dining area is envisioned as the 'public square.' Surrounding services such as personal care, activity rooms, flex spaces, and dining functions would be constructed as 'storefronts' using some basic exterior materials, lighting etc. This main public square will be linked to various areas of the building via internal courtyards. These courtyards not only link the important public spaces, they will also allow generous amounts of natural light to enter the building and provide residents and their families an opportunity to experience the outdoors while still in a secure, controlled environment. The structure will contain approximately 47,870 square feet of heated living area. The structure will be a single story slab on grade with a wood frame construction (type VA) and fully sprinkled. The interior of the building will be separated by appropriate smoke compartments and fire separations. The exterior will be a mixture of masonry veneer and hardboard siding with 30 year asphalt fiberglass shingles. The facility will anticipate using operable, residential style, vinyl windows in all resident rooms and aluminum storefront system in the public spaces. All interior finishes will be class 'B' except as allowed by code.

Ownership Structure: The current facility is owned and operated by Meadowbrook Health and Rehabilitation Center, Inc., which is also the entity holding the facility license. With the construction and opening of the proposed new facility, this will not change and Meadowbrook Health and Rehabilitation Center, Inc. will remain as the licensee.

As noted in the Application at page 11, Meadowbrook Health and Rehabilitation Center, Inc. is part of AHC. Meadowbrook Health and Rehabilitation Center, Inc. is a Tennessee corporation and is wholly-owned by AHC a Tennessee-based corporation. An organization chart of the Applicant's ownership structure was included in the application at Attachment Section A-4A (Part 3) at page 60, and is also diagramed below:



A listing of the long-term facilities that American Health Centers owns and/or operates is attached as Attachment First Supplemental – Question #3-2.

4. Section A, Project Details, Item 6.A (Legal Interest in Site) and Item 6.B (Plot Plan)

Item 6.A: The response is noted. Review of the April 12, 2018 Warranty Deed in the attachment (pages 77-82) revealed that the property was purchased by American Health Properties, Inc. What is the relationship of this entity to the applicant and the owner?

In your response, please include a description of the ownership of AHP.

Item 6.B: The plot plan on pages 84 and 85 show Lot A (4.4 acres) and Lot B (4.0 acres) totaling 8.4 acres. How does the plot plan relate to the parcels shown in the Attachment A - 6B.(3) on pages 89 and 90 of the application? Please explain.

In your response, please also provide a description of the relationship of the proposed site to public transportation routes, if any.

RESPONSE: Item 6.A:

American Health Properties, Inc. is a real estate holding company wholly-owned by AHC. It is related to the applicant through the parent company of American Health Companies, Inc., which owns and controls both entities.

American Health Properties, Inc. has executed an option to purchase the property to the Applicant, Meadowbrook Long Term Facility, Inc., which is included as Attachment First Supplemental – Question#4. Upon or shortly before the completion of the new facility, it is anticipated that American Health Properties, Inc. will transfer title to the Applicant. However, because there is no certificate of need currently granted, AHC plans to finalize this transfer after the replacement facility is approved by the HSDA.

Item 6.B: The plot plan on pages 84 and 85 show the proposed parcel where the facility will be constructed. The notations of "Lot A" and "Lot B" are solely for the use of the architect with respect to the architectural and construction planning. They do not correspond to legal property boundaries or records.

The photograph from the Tennessee Property Viewer website shows the actual proposed property and location. These lots (at the time of the snapshot shown) were identified as parcels 57.01 and 57.02, totaling 8.45 acres overall. That parcel is identified as parcels 57.01 in the Giles County property records.

The current and proposed facility will be located on East College Street, which is also state route 64. There is no public transportation in Giles County, Tennessee, so the facility is not located near any public transportation routes. The U.S. Census lists the mean travel time to work as 26.3 minutes for Giles County residents. (https://www.census.gov/quickfacts/fact/table/gilescountytennessee/LFE305216 #viewtop)

5. Section A, Project Details, Item 7 (Type of Institution) and Item 8 (Purpose of Review)

<u>Item 7:</u> The response checked is F (Mental Health Hospital) in lieu of H (Nursing Home). Please clarify.

<u>Item 8:</u> The response checked is A (New Institution) in lieu of H (Change of Location). Please clarify.

Please revise the responses and submit a replacement page 5R for the application.

RESPONSE: Corrected page 5 (labeled as page 5R) is included as Attachment First Supplemental – Question #5, and reflects the project correctly as a replacement nursing home on a different site.

6. Section A, Project Details, Item 10 (Bed Complement Data)

The response checked is A.7 (Adult Psychiatric beds) in lieu of nursing home beds. Please revise and submit as replacement page 6R.

RESPONSE: Corrected page 6 (labeled as page 6R) is included as Attachment First Supplemental – Question #6, and reflects the project correctly as a replacement nursing home on a different site.

7. Section A, Project Details, Item 12 (Square Footage Chart)

What party is responsible for the construction of the proposed 83 bed replacement nursing home and where is that documented?

The combined bed totals for the 3 wings in the Unit/Department column of the chart totals to 84 beds in lieu of the current 83 beds specified in the facility license, LOI, floor plan and other parts of the application. The error appears to be the bed count for Wing C. Please revise the chart and submit as replacement page 8R.

RESPONSE: A corrected square footage chart on page 8 (labeled as page 8R) is included as Attachment First Supplemental – Question #7, and reflects the replacement facility will be 83 beds, the same number as currently licensed.

8. Section B, Need, Item A (Specific Criteria –Relocation or Replacement, 2.a. page 92)

Please describe the condition of the current physical plant.

Please discuss the square footage in the current private and semi-private rooms and how it compares to the square footage of the proposed private and semi-private rooms.

RESPONSE: The replacement facility is necessary because the existing facility is at its useful life and has various physical plant issues affecting its operation. The existing facility is approximately forty (40) years old having been built in approximately 1979. While the facility has been maintained, it must now be replaced because maintaining the facility in compliance with regulations, including life safety and building codes, is making further maintenance and renovations increasingly cost prohibitive. There are currently multiple issues creating this situation. The facility's roof requires full replacement at an estimated cost of \$700,000. The roof's construction makes the replacement and renovation a particularly difficult job because a number of issues with the ductwork, roof slopes and tapers must be resolved. There are also life safety issues identified on recent surveys the facility is working to ameliorate. However, those issues require additional extensive repairs estimated at \$1.6-\$2.0 million dollars. The life safety issues include the need to replace a functioning, but outdated, sprinkler system in the building, and the need

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to replace certain walls because of pipe penetrations that need to be sealed. After having these issues evaluated, the owner of the facility has determined the proposed remediation will require extensive financial resources, and will also result in a long period of disruption to operations. The expected cost of all needed remediation and renovations is closer to \$5 million dollars.

The resident rooms for the new facility range from 270.39 square feet to 287 square feet. This excludes the adjacent bathrooms which are typically 63 square feet. The rooms are designed such that they can be private or semi-private and still meet required ADA clearances. In the current facility, semi-private rooms on average are 268.14 square feet, and private rooms on average are 263.78 square feet.

9. Section B, Need, Item E.

Your response is noted. Please complete the following tables:

Service Area Patient Accommodation Mix-2016 JAR

Nursing Home	Licensed Beds	Total Private Beds	Total Semi- Private Beds	Total Companion Beds	Ward Beds
Total					

Giles County Nursing Home Utilization-2016

Name	Lic.	Beds-	Beds-	Beds	Licensed	SNF	Level 2	skilled	Non-	Total
	Beds	MCARE only- certified	Dually Certified	Level 1 certified MCAID	Only Beds Non- Certified	MCARE ADC	MCAID ADC	All other Payors ADC	skilled ADC	ADC
					Certifica			nDC		
Total										

Source: Nursing Home JAR, 2016 (legend: Medicare=MCARE; TennCare/Medicaid=MCAID)

RESPONSE: The requested completed tables are included below:

Service Area Patient Accommodation Mix-2016 JAR

Nursing Home	Licensed Beds	Total Private Beds	Total Semi- Private Beds	Total Companion Beds	Ward Beds
Meadowbrook Health & Rehab Center	83	3	68	0	12
Ardmore Health & Rehab Center	79	2	74	0	3
NHC Healthcare Pulaski	102	14	84	0	4
Service Area Total	264	19	226	0	19

Giles County Nursing Home Utilization-2016

Name	Lic.	Beds-	Beds-	Beds	Licensed	SNF	Level 2	skilled	Non-	Total
	Beds	MCARE	Dually	Level 1	Only	MCARE	MCAID	A11	skilled	ADC
		only-	Certified	certified	Beds	ADC	ADC	other	ADC	
		certified		MCAID	Non-			Payors		
					Certified			ADC		
Meadowbrook	83	0	83	0	0	13.8	0.0	44.8	0.7	48.7
Health &										
Rehab Center										
Ardmore	79	0	79	0	0	4.4	0.6	29.7	0.0	39.9
Health &										
Rehab Center										
NHC	102	0	57	45	0	24.6	4.5	34.0	12.9	49.1
Healthcare										
Pulaski										
Service Area	264	0	219	45	0	42.8	5.1	108.5	13.6	137.7
Total										

Source: Nursing Home JAR, 2016 (legend: Medicare=MCARE; TennCare/Medicaid=MCAID)

10. Section B, Need, Item F.

Your response to this item is noted. Please complete the following charts:

Projected Utilization

		LUJCCICA V	CILIZACION						
Year	Lic'd	Medicare	Dually	SNF	Level 2	SNF	Non-	Total	Licensed
	Beds	-Only	Certified	Medicare	Medicaid	AII	Skilled	ADC	Occupancy
		certified	Beds	ADC	ADC	other	ADC		%
		beds				Payors			
						ADC			
1	83								
2	83								

Applicant Historical and Projected Patient Accommodation Mix

Current	Current	Current	Current	Current	Proposed	Proposed	Proposed	Proposed	Proposed
Licensed	Private	Semi-	Companion	Ward	Licensed	Private	Semi-	Companion	Ward Beds
Beds	Beds	Private	Beds	Beds	Beds	Beds	Private	Beds	
		Beds					Beds		

RESPONSE: The requested completed tables are included below:

Projected Utilization

V	T:/1	34.1	D 11	CATE	T 10	CNIE	N.T.	700 4 1	T . T
Year	Lic'd	Medicare	Dually	SNF	Level 2	SNF	Non-	Total	Licensed
	Beds	-Only	Certified	Medicare	Medicaid	All	Skilled	ADC	Occupancy
		certified	Beds	ADC	ADC	other	ADC		%
		beds				Payors			
						ADC			
Year 1 - 2020	83	0	83	18	0	1	51	71	86%
Year 2 - 2021	83	0	83	19	0	1	53	74	89%

Applicant Historical and Projected Patient Accommodation Mix

Current	Current	Current	Current	Current	Proposed	Proposed	Proposed	Proposed	Proposed
Licensed	Private	Semi-	Companion	Ward	Licensed	Private	Semi-	Companion	Ward Beds
Beds	Beds	Private	Beds	Beds	Beds	Beds	Private	Beds	
		Beds					Beds		
83	3	68	0	12	83	13	70	0	0

11. Section B. Economic Feasibility, Item A.1 (Project Costs Chart)

The \$280,000 acquisition of the site cost in the chart appears to be significantly higher than the \$140,600 land market value shown on the Real Estate Assessment Data document on page 81 of the application. Please briefly explain the rationale for same.

RESPONSE: The purchase price of the property was slightly lower than the listing price for the property by the buyer, who is an unrelated party to the Applicant and AHC. There was limited available property within a close proximity to the existing facility and the nearby hospital / doctor's offices. When considering property suitable for a new facility and possible development of a long term care campus in the future, even fewer properties were viable. In addition, the market appraisal of \$140,600 appears to include only part of the overall parcel (Parcel 057.02, which was consolidated into Parcel 057.01 showed previously a market value of \$66,600. Lastly, the property was insured by the title company at the purchase price value of \$280,000, thus justifying the market price of the purchase.

12. Section B, Economic Feasibility, Item H. (Staffing)

Please complete the following chart reflecting the proposed number of direct care hours including nursing care hours per patient per day in Year One.

Direct C	Care	Nursing Hours	Total Hours
Hours			

RESPONSE: The requested completed tables are included below:

Direct Care	Nursing Hours	Total Hours
Hours		
1.33	1.92	3.25

13. Section B, Economic Feasibility, Item I. (Alternatives)

It is understood that the applicant hopes to increase Medicare admissions; however since the applicant has operated historically at approximately 70% occupancy, please explain why the applicant did not consider the alternative of reducing the bed complement in the replacement facility.

RESPONSE: The existing dated facility has hindered Meadowbrook in the current market. As noted in the application, the net effective occupancy of the facility is higher than reported, because many if not all of the ward beds in the facility, along with some semi-private rooms, cannot be used at full occupancy. That in turn lowers the net occupancy of the facility as report. The Facility does believe a newer, modern facility will increase its ability to attract residents, and increase occupancy. The projected occupancy is supported by the occupancy of the NHC facility in the area. The alternative of reducing the bed compliment was not considered because the facility, already licensed for 83 beds, is a needed resource in the county at the existing number of beds. Need calculations support an increasing, and not decreasing, demand. Therefore, the Applicant is making a prudent decision to build the facility to accommodate both current, as well as future need. Given the projections in the application and the proposed plans the Applicant has for the Facility, it would be unwise to reduce the number of beds, and then have to request additional future beds when need and occupancy increases as expected.

14. Section B. Quality Measures

Please discuss the applicant's commitment to the proposal in meeting appropriate quality standards by addressing each of the following factors:

(a) Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;

RESPONSE: Meadowbrook intends to maintain a payor mix that is consistent with its projections in the CON application and enables the facility to operate in an economically efficient and financially viable way. Any nursing facility's payor mix

is affected by forces that are both within, and well outside of its control. For example, future changes in Medicaid eligibility for nursing home residents could affect the percentage of those residents in the facility. Additionally, there is no time limitation on the requested commitment. Therefore, to the extent it is within the control of the Facility to maintain the payor mix projected in its CON application for the two years projected and the foreseeable future beyond that. There is no current plan to change the certification of the facility.

(b) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;

RESPONSE: Meadowbrook notes that Medicare participating skilled nursing facilities are already required to maintain sufficient staffing by regulation, which it is committed to complying with by virtue of its certification. 42 C.F.R. §483.35 (Nursing Services) states that the Facility "must have sufficient nursing staff with the appropriate competencies and skills sets to provide nursing and related services to assure resident safety and attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident, as determined by resident assessments and individual plans of care and considering the number, acuity and diagnoses of the facility's resident population in accordance with the facility assessment required at §483.70(e)." Therefore, the staffing of the facility will always be based on its required facility assessment. With those qualifications, the facility commits to maintaining staffing comparable to the staffing as proposed in its application.

(c) Whether the applicant will obtain and maintain all applicable state licenses in good standing;

RESPONSE: Meadowbrook will maintain licensure by the Tennessee Board for Licensing Health Care Facilities as a nursing home.

(d) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;

RESPONSE: Meadowbrook will maintain all licensure and certifications currently existing. It will continue to be licensed by the Tennessee Board for Licensing Health Care Facilities as a nursing home, and will be TennCare and Medicare certified as a dually participating skilled nursing facility/nursing facility.

(e) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of

non-compliance, the nature of non-compliance and corrective action shall be considered;

RESPONSE: Meadowbrook has maintained substantial compliance with CMS regulations over the prior three (3) years, and in cases where a deficiency has been cited, those deficiencies were promptly corrected. It has not had any immediate jeopardy citations or suspensions of admissions over that period. The facility has a Medicare Nursing Home Compare "Star Rating" of four stars overall, with three stars for health inspections, staffing, and quality measures.

(f) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;

RESPONSE: Meadowbrook has not been decertified within the previous three (3) years and there has been no change of ownership over that period of time.

(g) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

RESPONSE: See response below.

- (h) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.
 - 1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:

For Nursing Home projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details on its Quality Assurance and Performance Improvement program. As an alternative to the provision of third party accreditation information,

CN1807-031 First Supplemental Responses July 27, 2018 Page 13 July 27, 2018 3:37 P.M.

applicants may provide information on any other state, federal, or national quality improvement initiatives.

RESPONSE: Meadowbrook maintains (and will continue to maintain) a robust Quality Assurance and Performance Improvement (QAPI) Program that is in compliance with federal nursing home regulations. QAPI is the coordinated application of two mutually-reinforcing aspects of a quality management system: Quality Assurance (QA) and Performance Improvement (PI). QAPI takes a systematic, comprehensive, and data-driven approach to maintaining and improving safety and quality in the facility while involving all nursing home caregivers in practical and creative problem solving.

The QA part of the program is the specification of standards for quality of service and outcomes, and a process throughout the organization for assuring that care is maintained at acceptable levels in relation to those standards. QA is ongoing, both anticipatory and retrospective, in its efforts to identify how the organization is performing, including where and why facility performance is at risk or has failed to meet standards.

The PI (also called Quality Improvement - QI) part of the program is the continuous study and improvement of processes with the intent to better services or outcomes, and prevent or decrease the likelihood of problems, by identifying areas of opportunity and testing new approaches to fix underlying causes of persistent/systemic problems or barriers to improvement. PI in nursing homes aims to improve processes involved in health care delivery and resident quality of life. PI can make good quality even better.

As a result, QAPI amounts to much more than a provision in Federal statute or regulation; it represents an ongoing, organized method of doing business to achieve optimum results, involving all levels of an organization.

The facility also participates in the TennCare Quality Improvement in Long Term Services and Supports initiative (QuILTSS). QuILTSS is a program for monitoring and improving care that provides reimbursement incentives to the facility for improvement and objective performance outcomes.

Meadowbrook Health and Rehabilitation Center, Inc. - CN1807-031 July 2018 – First Supplemental Responses

July 27, 2018 3:37 P.M.

Attachment First Supplemental – Letter of Intent

AFFIDAVIT OF PUBLICATION Supplemental #1

0003017388

The Tennessean Newspaper

July 27, 2018 3:37 P.M.

State of Tennessee

Account Number

NAS-534576

Advertiser BRADLEY ARANT BOULT CUMMINGS A

BRADLEY ARANT BOULT CUMMINGS A 1600 DIVISION ST STE 700 NASHVILLE, TN 37203

TEAR SHEET ATTACHED

_____ Sales Assistant for the above mentioned newspaper,

hereby certify that the attached advertisement appeared in said newspaper on the following dates:

07/10/18

Subscribed and sworn to before me this Loud day of July 2018



27, 2018



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Public Notices

Public Notices

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PUBLICATION OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

HOTHICATION OF INTERT TO APPLY FOR A CERTIFICATE OF REED.
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The anticleated date of Ming the application is: July 13, 2018

Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deoderick Street Noshville, Tennessee 37243

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The published Letter of inhort mass cowhile the followings showed pursuant to T.C.A. § 44-11-1407(c)(1). (A). Any health constitution within the looping of the inhort matter with the Health Services and Development the a worthern notice with the Health Services and Development Angelopment Services and Development Angelopment and the Company of the C

Public Notices

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Public Notices Public Notices NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official natice to the Health Services and Development Agency and all interested parties, in accordance within T.C.A. § 68-11-801 at 18-24, and the Rules of the Health Services and Development Agency, that:

for the latest.

and Development Agency, 11th:

Medsobarock Heinlin and Rebabilitation, Cenley, Inc., a Tennessee conparallon doing business as Medsowbrook, Heilth and Rebabilitation Cenley, which is a subsidiary of American Heinli Componies, Inc., to Tennessee conparallon, and to be managed mineral to the control of the Componies, Inc., to Tennessee conference in Certificate of Need for the reduction and construction of a restatement facility. The current St. Tennessee 28478, The prosoced reduction and new 32 bed facility will be located on an unaddressed sorcel on the north side of East Medical Control of the Cont

The current facility holds license \$92 from the Tennessee ment of Health and will continue its current licensure cented nursing horse pose the replacement facility is continue the replacement facility is continue its certification for Medical Medicald TennCore. No new services are being initiated additional beds are requised.

The anlicipated date of filing the application is; July 13, 2016, The conloct person for this project is Christopher Puri who may be reached at Bradley Arnal Boull Cummings LLP, 1600 Division Street, Sulle 700, Nashville, 37203 Phone: 615-252-4643; Email: cpur (abbradley,com)

Upon written request by interested parties, a local Fact Finding public hearing shall be conducted. Written requests for hearing shall be sent to:

The published Letter of Intern water contain the Indowine sled-stitution within a lope of Letter and International Statistics of Letter and Le

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Meadowbrook Health and Rehabilitation Center, Inc. - CN1807-031 July 2018 – First Supplemental Responses

July 27, 2018 3:37 P.M.

Attachment First Supplemental – Question #1

Supplemental #1



State of Tennessee Health Services and Development Agency

July 27, 2018 3:37 P.M.

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE 1. Name of Facility, Agency, or Institution Meadowbrook Health and Rehabilitation Center, Inc. Name an unaddressed parcel on the north side of East College Street Giles Street or Route County Pulaski TN 38478 City State Zip Code Website address: https://www.thmgt.com/locations/meadowbrook-health-and-rehabilitation-center Note: The facility's name and address <u>must be</u> the name and address of the project and <u>must be</u> consistent with the Publication of Intent. 2. Contact Person Available for Responses to Questions Christopher C. Puri Attorney Name Title **Bradley Arant Boult Cummings LLC** cpuri@bradley.com Company Name Email address 1600 Division Street, STE 700 Nashville TN 37203 Street or Route Citv State Zip Code Attorney 615-252-4643 615-252-4643 Association with Owner Phone Number Fax Number

NOTE: Section A is intended to give the applicant an opportunity to describe the project. Section B addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on 8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

Meadowbrook Health and Rehabilitation Center, Inc. - CN1807-031 July 2018 – First Supplemental Responses

July 27, 2018 3:37 P.M.

Attachment First Supplemental – Question #2

Supplemental #1

July 27, 2018 3:37 P.M.

E		ner of the Facility. Agency eadowbrook Health and Re			Inc.	(731) 847-6343			
	Nam 197	ne 1 Tennessee Avenue N				Phone Number Decatur			
		et or Route sons			TN	County 38363-5094			
	City			St	ate	Zip Code			
В.	Typ	e of Ownership of Control	(Check One)						
	А. В.	Sole Proprietorship Partnership	-	F.	Government (Political Subd	(State of TN orivision)			
	C.	Limited Partnership		G.	Joint Venture	v Company			
	D. E.	Corporation (For Profit)	XXX	H. I.	Limited Liabilit Other (Specify				
	⊏.	Corporation (Not-for- Profit)	X						
					-	e e			
Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at https://tnbear.tn.gov/ECommerce/FilingSearch.aspx . Attachment Section A-4A. Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or the applicant).									
indii	,	nterest.							
4.	Nam	ne of Management/Operati	ing Entity (If A	\ppli	cable)				
	Tenn	nessee Health Management,	Inc.						
	Nam 197	e 1 Tennessee Avenue N				Phone Number			
		et or Route sons			TN	County 38363-5094			
	City			Sta	ate	Zip Code			
		site address: <u>www.thmgt.co</u>							
For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. Attachment Section A-5.									

Meadowbrook Health and Rehabilitation Center, Inc. - CN1807-031 July 2018 – First Supplemental Responses

July 27, 2018 3:37 P.M.

Attachment First Supplemental – Question #3-1

July 27, 2018

Attachment Section A-3.

3:37 P.M.

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- Description Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;
- 2) Ownership structure;
- 3) Service area;
- 4) Existing similar service providers;
- 5) Project cost;
- 6) Funding;
- 7) Financial Feasibility including when the proposal will realize a positive financial margin; and
- 8) Staffing.

RESPONSE: <u>SECTION A: EXECUTIVE SUMMARY</u>

Meadowbrook requests a CON for a replacement facility on an adjacent parcel to the existing facility with no increase in licensed beds and no change or impact on the service area.

 Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

Meadowbrook Health and Rehabilitation Center, Inc., a Tennessee corporation doing business as Meadowbrook Health and Rehabilitation Center, which is a subsidiary of American Health Companies, Inc. (a Tennessee corporation), and to be managed by Tennessee Health Management, Inc. (a Tennessee corporation), intends to file an application for a Certificate of Need for the relocation and construction of a replacement facility. The current 83 bed facility is located at 1245 East College Street, Pulaski, Tennessee 38478. The proposed relocation and new 83 bed facility will be located on an unaddressed parcel on the north side of East College Street, which is the parcel immediately adjacent to the northeast portion of the existing parcel on which the current facility is located (the existing parcel is on the south side of East College Street). The proposed facility will be located on that 8.45 acre parcel, which is identified as Parcel ID 097-057.01 in the property records of Giles County. The estimated project cost is \$13,894,436.25.

The current facility holds license #92 from the Tennessee Department of Health and will continue its current licensure as a licensed nursing home once the replacement facility is completed. The facility will also continue its certification for Medicare and Medicaid/TennCare. No new services are being initiated and no additional beds are requested.

Supplemental #1

July 27, 2018

The project does not initiate or discontinue any other health service and it will not any other facility's licensed bed complements. There are no outstanding but unimplemented certificates of need held by the applicant.

The proposed relocation and new 83 bed facility will be located on an unaddressed parcel on the north side of East College Street, which is the parcel immediately adjacent to the northeast portion of the existing parcel on which the current facility is located (the existing parcel is on the south side of East College Street). The proposed facility will be located on that 8.45 acre parcel, which is identified as Parcel ID 097-057.01 in the property records of Giles County.

2) Ownership structure;

Meadowbrook Health and Rehabilitation Center, Inc. is a Tennessee corporation and is wholly owned by American Health Centers, Inc., (AHC) a Tennessee based corporation. An organization chart of the Applicant's current ownership is in Attachment Section A-4A. The Facility currently is managed under a management agreement with Tennessee Health Management, Inc. (THM), which is a Tennessee corporation. THM will continue to manage the facility at the new location. THM currently manages thirty skilled nursing facilities (29 in Tennessee, and one in Alabama) as well as various geropsychiatric hospitals located in Memphis, Martin, and Clarksville (Tennessee). THM has successfully operated skilled nursing facilities for nearly thirty years.

3) Service area;

The primary service area is Giles County where the Facility is located. Based on its 2016 Joint Annual Report, two-thirds of the facility residents (127 of 190 patients) are from Giles County, and a majority of the remaining residents resided within 30 minutes travel time of the Facility.

4) Existing similar service providers;

There are three existing skilled nursing facilities in Giles County. They are Ardmore Health & Rehab Center, NHC Pulaski, and the applicant, Meadowbrook. Because the proposed project is a replacement facility at the closest parcel to the existing operating nursing home, and is across the street, the replacement of the facility is essentially not a relocation. Additionally, there are no new beds requested. Since the service area and bed count remain exactly the same, Meadowbrook believes there is no impact of this project on existing providers.

5) Project cost and Funding

The estimated project cost is \$13,894,436.25. The estimated project construction costs and cost per square foot are above the third quartile, but consistent with HSDA averages for previously approved nursing home projects. The full project cost will be funded by cash reserves available to the Applicant.

6) Financial Feasibility including when the proposal will realize a positive financial margin; and

The replacement facility is necessary because the existing facility is at its useful life and has various physical plant issues that affect its operation. The replacement facility has been well planned by the applicant. Based on the conservative projections in the Projected Data Chart, the project will operate with a positive financial margin from its first year of operation onward (2020). The project will show a net income of \$\$319,465.00 in the second year, and \$\$628,556.00 of free cash flow.

7) Staffing.

Meadowbrook Health and Rehabilitation Center, Inc. - CN1807-031 July 2018 – First Supplemental Responses

July 27, 2018 3:37 P.M.

Attachment First Supplemental – Question #3-2

Supplemental #1

- Applingwood Healthcare Center, Inc. 1536 Appling Care Ln Cordova, TN 38016-4927
- Bethesda Health Care Center, Inc. 444 One Eleven Place Cookeville, TN 38506-4358
- Bright Glade Health and Rehabilitation Center, Inc. 5070 Sanderlin Ave Memphis, TN 38117-4332
- 4. Clarksville Nursing and Rehabilitation Center, Inc. 900 Professional Park Drive Clarksville, TN 37041
- Covington Care Nursing and Rehabilitation Center, Inc. 765 Bert Johnson Ave Covington, TN 38019-2414
- Crestview Health Care and Rehabilitation, Inc. 704 DuPree Ave Brownsville, TN 38012-6254
- Cumberland Health Care and Rehabilitation, Inc. 4343 Ashland City Hwy Nashville, TN 37218-2401
- Decatur County Health Care and Rehabilitation, Inc. 726 Kentucky Ave S Parsons, TN 38363-3105
- Dyersburg Nursing and Rehabilitation, Inc. 1900 Parr Ave Dyersburg, TN 38024-2009
- Forest Cove Nursing and Rehab Center, Inc. 45 Forest Cove Jackson, TN 38301-4366
- Harbor View Nursing and Rehabilitation Center, Inc. 1513 North Second Street Memphis, TN 38107
- Humboldt Healthcare and Rehab Center, Inc. 2031 Avondale Rd Humboldt, TN 38343-1810

13. Lewis County Nursing and Rehability 27, 2018 Center, Inc. 119 Kittrell St Hohenwald, TN 38462-1364

- Lexington Health Care and Rehabilitation, Inc.
 727 E Church St
 Lexington, TN 38351-1924
- 15. McKenzie Healthcare and Rehabilitation Center, Inc.175 Hospital Dr McKenzie, TN 38201-1636
- 16. McNairy County Health Care Center, Inc. 835 E Poplar Ave Selmer, TN 38375-1832
- 17. Meadowbrook Health and Rehabilitation Center, Inc.1245 E College St Pulaski, TN 38478-4541
- Millennium Nursing and Rehab Center, Inc 5275 Millennium Dr. Huntsville, AL 35806
- Mt. Juliet Health Care Center, Inc. 2650 N Mount Juliet Rd Mt. Juliet, TN 37122-8015
- 20. Northbrooke Healthcare and Rehab Center, Inc.121 Physicians Dr Jackson, TN 38305-6011
- Northside Health Care Nursing and Rehabilitation Center, Inc.
 E MTCS Rd Murfreesboro, TN 37129-1524
- 22. Paris Health Care Nursing and Rehabilitation Center, Inc.800 Volunteer Dr Paris, TN 38242-1408

Supplemental #1

July 27, 2018 3:37 P.M.

- 23, Savannah Health Care and Rehabilitation Center, Inc. 1645 Florence Rd Savannah, TN 38372-5210
- 24. Union City Nursing and Rehabilitation Center, Inc. 1630 E Reelfoot Ave Union City, TN 38261-6021
- VanAyer Healthcare and Rehab Center, Inc. 460 Hannings Ln Martin, TN 38237-3308
- Vanco Health Care and Rehabilitation, Inc. 813 S Dickerson Rd Goodlettsville, TN 37072-1761
- 27. Waverly Health Care and Rehabilitation Center, Inc. 895 Powers Blvd Waverly, TN 37185-1018
- Westwood Health Care and Rehabilitation Center, Inc. 524 W Main St Decaturville, TN 38329-8035
- 29. West Tennessee Transitional Care, Inc.597 West Forest Avenue Jackson, TN 38301
- ## Behavioral Healthcare Center at Columbia, Inc. 1400 Rosewood Drive Columbia, TN 38401
- Behavioral Healthcare Center at Clarksville, Inc.
 930 Professional Park Drive Clarksville, TN 37041
- ## Behavioral Healthcare Center at Huntsville, Inc. 5315 Millennium Drive Huntsville, Al 35806
- Behavioral Healthcare Center at Martin, LLC
 458 Hannings Lane
 Martin, TN 38237
- ## Behavioral Healthcare Center at Memphis, Inc. 1505 North Second Street Memphis, TN 38107
- AmPharm, Inc.
 1971 Tennessee Avenue North Parsons, TN 38363

- 36. AmMed Inc135 Jordan LaneParsons, TN 38363
- Tennessee Quality Homecare
 1971 Tennessee Avenue North
 Parsons, TN 38363
- Tennessee Valley Home Care, Inc. d/b/a
 Tennessee Quality Homecare Southwest
 580 Tennessee Avenue
 Parsons, TN 38363
- 39. Tri-County Home Health and Hospice, Inc. d/b/a Tennessee Quality Hospice29 North Star Drive, Suite GJackson, TN 38305
- Rehab America, Inc.
 Central Lane
 Parsons, TN 38363
- TruHealth, Inc.
 Autumn Springs Court, Suite B Franklin, TN 37067
 - * All listed companies have active licensure/certification
 - * All listed entities are 100% owned by AHC

Meadowbrook Health and Rehabilitation Center, Inc. - CN1807-031 July 2018 – First Supplemental Responses

July 27, 2018 3:37 P.M.

Attachment First Supplemental – Question #4

PURCHASE OPTION

THIS PURCHASE OPTION AGREEMENT ("Agreement" or "Option") is made as of July 30, 2018, by and among AMERICAN HEALTH PROPERTIES, INC., a Tennessee corporation ("Seller") and MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC., a Tennessee corporation ("Buyer").

WITNESSETH

WHEREAS, Seller is the owner of the real property described on Exhibit A (the "Property"), and

WHEREAS, Seller desires to provide Buyer with the option to purchase the Property.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and conditions set forth herein, and intending to be legally bound hereby, the parties agree as follows:

Grant of Option.

Seller hereby grants to Buyer the right, privilege and option to purchase the Property, all on the terms and conditions set forth in this Agreement.

- 2. <u>Term and Exercise of Option</u>. Buyer may exercise the option granted above at any time prior to June 30, 2010, unless extended by the Seller in its sole discretion. To exercise the option, Buyer shall deliver to Seller a written notice of Buyer's exercise of the option designating the date, time, and place of Closing
- 3. <u>Consideration for Option</u>. In consideration for the option granted herein, Buyer has, concurrently with the execution of this Agreement, paid the sum of \$10.00 to Seller.

- 4. <u>Obligation to Sell and Purchase</u>. Upon exercise of the option, Buyer shall purchase the Property from the Seller, upon the terms and conditions set forth in this Agreement.
- 5. <u>Time and Place of Closing</u>. If Buyer shall exercise the option in the manner and within the time set forth herein, then the closing for the purchase of the Property by Buyer (the "Closing") shall be held at the place and on the date and at the time designated in the notice of the exercise of the option.
- 6. <u>Purchase Price</u>. The purchase price for the Property shall be two hundred and eighty thousand dollars (\$280,000.00). The Purchase Price shall be payable at Closing, subject to any adjustment hereunder. The Purchase Price shall be paid by federal funds wired to such account as the Seller shall designate to Buyer.

7. Quality of Title.

- A. At the time of Closing, Seller shall have good and marketable title to the Property, free and clear of all liens, encumbrances, easements and objections. Title shall be good and marketable and shall be insurable as such at regular rates by any reputable title insurance company chosen by Buyer.
- B. Seller agrees to comply with all reasonable requirements of the title insurance company to enable it to provide any endorsements to the Buyer's title policy reasonably requested by Buyer, and, if applicable, will comply with all requirements of the title company which are required to enable the title company to insure title to the Premises to Buyer free of corporate or other taxes and other charges then due the State of Tennessee by the Seller.
- 8. Recording. All real estate transfer taxes, recording fees or documentary stamp taxes imposed on this transaction, if any, shall be paid by Seller.
- 9. <u>Seller's Warranties</u>. Seller is the fee simple owner of good and marketable title to its Property, and the Property is free from all liens, encumbrances, easements, restrictions, pledges, security interests, conditional sale agreements, or other charges. At Closing, Seller shall provide Buyer such additional warranties as Buyer may reasonably request with respect to the Property.

Documents at Closing.

- A. At time and place of Closing, Seller shall deliver to Buyer:
 - (1) Warranty deed conveying title to the Property.
- (2) Such other documents as may be necessary or appropriate to consummate the transactions contemplated by this Agreement.
- 11. <u>Recording</u>. This Agreement or a Memorandum of Option may be recorded by Buyer in any appropriate public offices in the State of Tennessee.
- 12. <u>Entire Agreement</u>. This Option constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, all prior communications, whether written or oral, being merged herein.
- 13. Governing Law. The provisions of this Agreement shall be governed by the laws of the State of Tennessee.

July 27, 2018 3:37 P.M.

IN WITNESS WHEREOF, the parties have caused this Option to be duly executed the day and year aforesaid.

BUYER:

MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC.

	Ву:
	Title:
SELL	ER:
	AMERICAN HEALTH PROPERTIES, INC.
	By:
	Title

July 27, 2018 3:37 P.M.

Exhibit A

A certain tract or parcel of land located in Giles County, Tennessee, being more fully described as follows:

TRACT 1:

A certain tract of land located in the 7th Civil District of Giles County, Tennessee, and described as follows:

BEGINNING at an iron pin in the North margin of U. S. Highway 64, and southwest corner of this tract, said pin being 20 feet east of a fence post the southwest of Williams, and the southeast corner of Fitzgerald; thence leaving the highway with a line 20 feet east of Williams-Fitzgerald line (the west line of this tract), N 5 degrees, 32 minutes, E 375.00 feet, an iron pin, the northwest comer of this tract, (20 feet east of the Williams-Fitzgerald line fence); thence with the lands of Williams, the north line of this tract, S 84 degrees, 28 minutes E 290.7 feet, an iron pin, the northeast comer of this tract; thence S 5 degrees, 42 minutes W 450.0 feet, an iron pin at a fence post in the north margin of Highway 64, the southeast corner of this tract; thence with the fence and highway margin, N 63 degrees, 45 minutes W 113.0 feet, a fence post; thence N 73 degrees, 40 minutes W 187.0 feet to the point of beginning. The surveyed tract contains 2.70 acres, more or less.

This being the same property conveyed to Rana-Ramy, Inc., by General Warranty Deed dated August 27, 2004, from William Harwell Murrey, of record in Deed Book 316, Page 361, Register's Office of Giles County, Tennessee.

TRACT2:

A certain tract of land lying in the 7th Civil District of Giles County, Tennessee, on the north side of East College Street and being more fully described as follows:

Beginning at an iron rod at a fence post corner in the north margin of East College Street, the said rod being the southeast corner of Martin Methodist College (DB 289, Pg. 342) and the southwest corner of the said tract; thence leaving the said rod with an existing fence North 05 degrees 32 minutes 00 seconds East 592.29 feet to a point in the centerline of a branch, the said point being the northwest corner of the said tract; thence leaving the said rod with the centerline of the branch, North 81 degrees 21 minutes 11 seconds East 181.56 feet, North 73 degrees 24 minutes 58 seconds East 69.72 feet, North 8 I degrees 12 minutes 1 7 seconds East 260. !2 feet to a point in the said branch, the said corner being the northeast corner of the said tract; thence leaving the said point with an existing fence, South 21 degrees 08 minutes 40 seconds East !52.57 feet (steel post), South 03 degrees 43 minutes 13 seconds East443.75 feet to an iron rod at a fence post corner, the said rod being a corner of the said tract; thence leaving the said rod with an existing fence and marked line, North 80 degrees 11 minutes 43 seconds West 247.04 feet to an iron rod; thence leaving the said rod with a new division line, South 12 degrees 46 minutes 48 seconds West 273.50 feet to an iron rod at a fence post in the north margin of East College Street, the said rod being the southeast corner of the said tract; thence leaving the rod with the said margin, North 57 degrees 29 minutes 57 seconds West 47.70 feet to an iron rod, the said rod being the southeast comer of Akram Haggag,; thence with Haggag, North 05 degrees 42 minutes 00 seconds East 450.00 feet (iron rod), North 84 degrees 28 minutes 00 seconds West 290.70 feet (iron rod), South 05 degrees 32 minutes 00 seconds West 375.00 feet to an iron rod in the north margin of East College Street; thence with

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the said street, North 75 degrees 14 minutes 52 seconds West 20.00 feet to the point of beginning and containing 5.76 acres, 1nore or less.

Description according to survey of Thomas A. Campbell, II, TRLS #978, dated August 16, 2004, Job No. TC0436. Subject to an easement to Gene Brannon for sewer lines in Trust Book 135, Page 685, Register's Office of Giles County, Tennessee. Unascertainable to the location Subject to a private water line and a private sewer line retained by Grantors in Deed Book 316, Page 364, Register's Office of Giles County, Tennessee, located along the northeast portion of the above described property. Said easement shall run with the land.

This being the same property conveyed to Rana-Ramy, Inc., by General Warranty Deed dated August 27, 2004, from Bunyan S. Williams and wife, Mandela W. Williams, of record in Deed Book 3 I 6, Page 364, Register's Office of Giles County, Tennessee.

This being the same property conveyed to Nermein Mohamed Lotfy from Rana-Ramy, Inc. by Quit Claim Deed dated February 6, 2013 of record in Deed Book 354, Page 93, Register's Office of Giles County, Tennessee.

SUBJECT PROPERTY IS NOT THE GRANTOR'S PRIMARY RESIDENCE.

TRACT 1: MAP 97, PARCEL 57.01 TRACT 2: MAP 97, PARCEL 57.02

PROPERTY ADDRESS: EAST COLLEGE STREET, PULASKI, TN 38478

Meadowbrook Health and Rehabilitation Center, Inc. - CN1807-031 July 2018 – First Supplemental Responses

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Attachment First Supplemental – Question #5

7.	7. Type of Institution (Check as appropriatemore than one response may 44) 77, 2018						
	A.B.	Hospital (Specify) Ambulatory Surgical Treat Center (ASTC), Multi-Specialty ASTC, Single Specialty Home Health Agency Hospice Mental Health Hospital Intellectual Disability Institutional Habilitation F	ecialty	H. I. J. K. L.	Nursing Home Outpatient Diagnostic Cen Rehabilitation Facility Residential Hospice Nonresidential Substitution Based Treatment Center for Opiate Addiction Other (Specify)	ter	
Che	ck ap	propriate lines(s).					
8.	Pur	oose of Review (Check a	ppropriate l	ines(s) – m	ore than one response m	ay apply)	
	A. B. C. D. E.	New Institution Modifying an ASTC with limitation still required per Addition of MRI Unit Pediatric MRI Initiation of Health Care Service as defined in T.C §68-11-1607(4) (Specify)	.A.	F. G. H. I.	Change in Bed Compleme [Please note the type of cha by underlining the appropria response: Increase, Decrea Designation, Distribution, Conversion, Relocation] Satellite Emergency Dept. Change of Location Other (Specify) Replacement Facility	ange ate ase, XXX XXX	
9.	Med	icaid/TennCare, Medicar	e Participat	<u>ion</u>			
	MCO Contracts [Check all that apply] XX AmeriGroup XX United Healthcare Community Plan XX BlueCare XX TennCare Select						
	Medicare Provider Number <u>44-5443</u>						
	Med		744-0296				
					Dually Certified		
	If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?						
	Med	icare Yes No N/A	Medicai	id/TennCar	e Yes No N/A		

Meadowbrook Health and Rehabilitation Center, Inc. - CN1807-031 July 2018 – First Supplemental Responses

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Attachment First Supplemental – Question #6

							emental		
0.	Bec	Complement Data				•	July 27, 2		
A.	Р	Please indicate current and proposed distribution and certification of facility beds. 3:37 P.M.							
			Current Licensed	Beds Staffed	Beds P <u>roposed</u>	*Beds Approved	**Beds Exempted	TOTAL Beds at Completion	
	1)	Medical	-	(************************************		-		-	
	2)	Surgical	-					-	
	3)	ICU/CCU							
	4)	Obstetrical		· · · · · · · · · · · · · · · · · · ·		:			
	5)	NICU	-	-					
	6)	Pediatric				6-11-11-11-11-11-11-11-11-11-11-11-11-11			
	7)	Adult Psychiatric	-	() 	-	-		-	
	8)	Geriatric Psychiatric					gi		
	9)	Child/Adolescent Psychiatric			-				
	10)	Rehabilitation		9					
	11)	Adult Chemical Dependency	- 18						
	12)	Child/Adolescent Chemical Dependency		·	:	-	*	***************************************	
	13)	Long-Term Care Hospital			-3	-	•		
	14)	Swing Beds		-	÷	. 	-	-	
	15)	Nursing Home – SNF (Medicare only)		-		-			
	16)	Nursing Home – NF (Medicaid only)	, ;	-	3	-			
	17)	Nursing Home – SNF/NF (dually certified Medicare/Medicaid)	83	83	83	0	0	_83	
	18)	Nursing Home – Licensed (non-certified)						7——K	
	19)	ICF/IID							
	20)	Residential Hospice		-					
	TO	TAL	83	83	83	0	0	83	
	*Be	eds approved but not yet in service	**Beds exem	pted under 10	0% per 3 year p	rovision			
В.		Describe the reasons for change in be xisting services. Attachment Sectio		d describe the	e impact the be	d change will h	nave on the ap	plicant facility's	
C.		Please identify all the applicant's omponent. If applicable, complete		Certificate of	of Need proje	ects that hav	e a licensed	bed change	
		CON Expi	ration Tota	ıl Licensed B	lade				
		CON Number(s) Date		Approved	,003				
	-								
	84 6		A: 8						
	-								

Meadowbrook Health and Rehabilitation Center, Inc. - CN1807-031 July 2018 – First Supplemental Responses

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Attachment First Supplemental – Question #7

12. Square Footage and Cost Per Square Footage Chart July 27, 2018

12. Square Footag	e allu v	703t i e	Square I			July 27,	
			_	Proposed	Proposed	Final Sogn	r p F w otage
Unit/Department	Existing Location	Existing SF	Temporary Location	Final Location	Renovated	New	Total
Rehab Wing A - 20 beds				8,600		\$ 219.34	\$1,886,359
Resident Wing B - 32 beds				11,045		\$ 219.34	\$2,422,65
Resident Wing C - 31 beds				11,045		\$ 219.34	\$2,422,655
Rehab/Therapy Space				3,660		\$ 219.34	\$802,799
Kitchen Space				1,690		\$ 219.34	\$370,69
Dining Area/Room				3,790		\$ 219.34	\$831,314
Activity/Service Area				1,870		\$ 219.34	\$410,173
Business/Admin Area				2,290		\$ 219.34	\$502,298
Mechanical/Electrical				1,500		\$ 219.34	\$329,016
Circulation/Structure				2,380		\$ 219.34	\$522,039
Unit/Department GSF Sub-Total				47,870		\$219.34	\$10,500,000
Other GSF Total							
Total GSF				47,870		\$219.34	\$10,500,000
*Total Cost							\$10,500,000
**Cost Per Square Foot							\$219.34
Cost per Square Foot Is Within Which Range (For quartile ranges, please refer to the Applicant's Toolbox on <u>www.tn.gov/hsda</u>)					☐ Below 1 st Quartile ☐ Betwee n 1 st and 2 nd	☐ Below 1 st Quartile ☐ Betwee n 1 st and 2 nd	☐ Below 1 st Quartile ☐ Between 1 st and 2 nd Quartile
					2 nd Quartile ☐ Betwee n 2 nd and 3 rd Quartile	2 nd Quartile ☐ Betwee n 2 nd and 3 rd Quartile	□ Between 2 nd and 3 rd Quartile ☑Above 3 rd Quartile

^{*} The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

^{**} Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

Revised 7/02

July 27, 2018 3:37 P.M.

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF
NAME OF FACILITY: Meadowbrook Health & Rehabilitation Center, Inc. (CN1807-031)
I,, after first being duly sworn, state under oath that I am the
applicant named in this Certificate of Need application or the lawful agent thereof, that I
have reviewed all of the supplemental information submitted herewith, and that it is true,
accurate, and complete.
Signature/Title
Sworn to and subscribed before me, a Notary Public, this the 27th day of July, 2018, witness my hand at office in the County of Day Ism, State of Tennessee.
witness my hand at office in the County of Davidson, State of Tennessee.
My commission expires Upt 7, 2021
Commission COUNTRIAN
HF-0043

Supplemental #2 (Original)

Meadowbrook Health & Rehabilitation Center, Inc

CN1807-031

Responses to July 30, 2018 Second Supplemental Questions - Meadowbrook Health & Rehabilitation Center, Inc. (CN1807-031) Submitted July 31, 2018

1. Item 6.A: The response is noted. Review of the April 12, 2018 Warranty Deed in the attachment (pages 77-82) revealed that the property was purchased by American Health Properties, Inc. What is the relationship of this entity to the applicant and the owner?

In your response, please include a description of the ownership of AHP.

Review of the Purchase Option document dated July 30, 2018 provided in the Attachment for Question 4 of Supplemental 1 revealed the following:

1.(a) Item 2 of Document - the "Option Exercise Date" of June 30, 2010 appears to be an error. Please explain.

If incorrect, please revise and submit a replacement page 1R or appropriate amendment for the legal document. As a reminder, HSDA Statute requires that the legal interest in the site must be valid on the date of the Agency's consideration of the CON application.

1.(b) Signature Page of Document – the Purchase Option Agreement is not signed by either party. As such the lack of a fully executed document does not confirm the applicant's legal interest in the site in accordance with HSDA Statute. Please obtain the required signatures from an authorized representative of each party.

RESPONSE: A revised copy of the Purchase Option document, fully executed by an authorized official of each entity, is provided as Attachment Second Supplemental – Supplemental – Question #1.

2. What party is responsible for the construction of the proposed 83 bed replacement nursing home and where is that documented?

It appears that a response for this part of Question 7 in Supplemental 1 was omitted. Please clarify.

RESPONSE: A construction contractor has not yet been chosen for the project. The Applicant has engaged Manous Design (Manous) as the project architect, as well as the manager for the replacement facility project. As part of that role, Manous is

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CN1807-031 First Supplemental Responses July 31, 2018 Page 2

responsible for identifying a construction contractor for approval by the Applicant. Manous has engaged and worked with numerous contractors on its other projects, and has the ability to recommend qualified firms. Manous is currently presenting a list of three (3) construction firms who will present to the Applicant a detailed proposal, consistent with estimate of the cost to construct the project included within the Proposed Project Costs. The Applicant will then make a final determination from that list to select which firm will construct the facility.

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Meadowbrook Health and Rehabilitation Center, Inc. - CN1807-031 July 2018 – Second Supplemental Responses

Attachment Second Supplemental – Question #1

PURCHASE OPTION

THIS PURCHASE OPTION AGREEMENT ("Agreement" or "Option") is made as of July 15, 2018, by and among AMERICAN HEALTH PROPERTIES, INC., a Tennessee corporation ("Seller") and MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC., a Tennessee corporation ("Buyer").

WITNESSETH

WHEREAS, Seller is the owner of the real property described on Exhibit A (the "Property"), and

WHEREAS, Seller desires to provide Buyer with the option to purchase the Property.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and conditions set forth herein, and intending to be legally bound hereby, the parties agree as follows:

Grant of Option.

Seller hereby grants to Buyer the right, privilege and option to purchase the Property, all on the terms and conditions set forth in this Agreement.

- 2. <u>Term and Exercise of Option</u>. Buyer may exercise the option granted above at any time prior to June 30, 2020, unless extended by the Seller in its sole discretion. To exercise the option, Buyer shall deliver to Seller a written notice of Buyer's exercise of the option designating the date, time, and place of Closing
- 3. <u>Consideration for Option</u>. In consideration for the option granted herein, Buyer has, concurrently with the execution of this Agreement, paid the sum of \$10.00 to Seller.

- 4. <u>Obligation to Sell and Purchase</u>. Upon exercise of the option, Buyer shall purchase the Property from the Seller, upon the terms and conditions set forth in this Agreement.
- 5. <u>Time and Place of Closing</u>. If Buyer shall exercise the option in the manner and within the time set forth herein, then the closing for the purchase of the Property by Buyer (the "Closing") shall be held at the place and on the date and at the time designated in the notice of the exercise of the option.
- 6. <u>Purchase Price</u>. The purchase price for the Property shall be two hundred and eighty thousand dollars (\$280,000.00). The Purchase Price shall be payable at Closing, subject to any adjustment hereunder. The Purchase Price shall be paid by federal funds wired to such account as the Seller shall designate to Buyer.

Quality of Title.

- A. At the time of Closing, Seller shall have good and marketable title to the Property, free and clear of all liens, encumbrances, easements and objections. Title shall be good and marketable and shall be insurable as such at regular rates by any reputable title insurance company chosen by Buyer.
- B. Seller agrees to comply with all reasonable requirements of the title insurance company to enable it to provide any endorsements to the Buyer's title policy reasonably requested by Buyer, and, if applicable, will comply with all requirements of the title company which are required to enable the title company to insure title to the Premises to Buyer free of corporate or other taxes and other charges then due the State of Tennessee by the Seller.
- 8. Recording. All real estate transfer taxes, recording fees or documentary stamp taxes imposed on this transaction, if any, shall be paid by Seller.
- 9. <u>Seller's Warranties</u>. Seller is the fee simple owner of good and marketable title to its Property, and the Property is free from all liens, encumbrances, easements, restrictions, pledges, security interests, conditional sale agreements, or other charges. At Closing, Seller shall provide Buyer such additional warranties as Buyer may reasonably request with respect to the Property.

Documents at Closing.

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- A. At time and place of Closing, Seller shall deliver to Buyer:
 - (1) Warranty deed conveying title to the Property.
- (2) Such other documents as may be necessary or appropriate to consummate the transactions contemplated by this Agreement.
- 11. Recording. This Agreement or a Memorandum of Option may be recorded by Buyer in any appropriate public offices in the State of Tennessee.
- 12. <u>Entire Agreement</u>. This Option constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, all prior communications, whether written or oral, being merged herein.
- 13. Governing Law. The provisions of this Agreement shall be governed by the laws of the State of Tennessee.

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IN WITNESS WHEREOF, the parties have caused this Option to be duly executed the day and year aforesaid.

BUYER:

MEADOWBROOK HEALTH AND REHABILITATION CENTER, INC.

SELLER:

AMERICAN HEALTH PROPERTIES, INC.

By: Muchael Bailly Title: President

Exhibit A

A certain tract or parcel of land located in Giles County, Tennessee, being more fully described as follows:

TRACT 1:

A certain tract of land located in the 7th Civil District of Giles County, Tennessee, and described as follows:

BEGINNING at an iron pin in the North margin of U. S. Highway 64, and southwest corner of this tract, said pin being 20 feet east of a fence post the southwest of Williams, and the southeast corner of Fitzgerald; thence leaving the highway with a line 20 feet east of Williams-Fitzgerald line (the west line of this tract), N 5 degrees, 32 minutes, E 375.00 feet, an iron pin, the northwest comer of this tract, (20 feet east of the Williams-Fitzgerald line fence); thence with the lands of Williams, the north line of this tract, S 84 degrees, 28 minutes E 290.7 feet, an iron pin, the northeast comer of this tract; thence S 5 degrees, 42 minutes W 450.0 feet, an iron pin at a fence post in the north margin of Highway 64, the southeast corner of this tract; thence with the fence and highway margin, N 63 degrees, 45 minutes W 113.0 feet, a fence post; thence N 73 degrees, 40 minutes W 187.0 feet to the point of beginning. The surveyed tract contains 2.70 acres, more or less.

This being the same property conveyed to Rana-Ramy, Inc., by General Warranty Deed dated August 27, 2004, from William Harwell Murrey, of record in Deed Book 316, Page 361, Register's Office of Giles County, Tennessee.

TRACT2:

A certain tract of land lying in the 7th Civil District of Giles County, Tennessee, on the north side of East College Street and being more fully described as follows:

Beginning at an iron rod at a fence post corner in the north margin of East College Street, the said rod being the southeast corner of Martin Methodist College (DB 289, Pg. 342) and the southwest corner of the said tract; thence leaving the said rod with an existing fence North 05 degrees 32 minutes 00 seconds East 592.29 feet to a point in the centerline of a branch, the said point being the northwest corner of the said tract; thence leaving the said rod with the centerline of the branch, North 81 degrees 21 minutes 11 seconds East 181.56 feet, North 73 degrees 24 minutes 58 seconds East 69.72 feet, North 8 I degrees 12 minutes I 7 seconds East 260. !2 feet to a point in the said branch, the said corner being the northeast corner of the said tract; thence leaving the said point with an existing fence, South 21 degrees 08 minutes 40 seconds East !52.57 feet (steel post), South 03 degrees 43 minutes 13 seconds East443.75 feet to an iron rod at a fence post corner, the said rod being a corner of the said tract; thence leaving the said rod with an existing fence and marked line, North 80 degrees 11 minutes 43 seconds West 247.04 feet to an iron rod; thence leaving the said rod with a new division line, South 12 degrees 46 minutes 48 seconds West 273.50 feet to an iron rod at a fence post in the north margin of East College Street, the said rod being the southeast corner of the said tract; thence leaving the rod with the said margin, North 57 degrees 29 minutes 57 seconds West 47.70 feet to an iron rod, the said rod being the southeast comer of Akram Haggag,; thence with Haggag, North 05 degrees 42 minutes 00 seconds East 450.00 feet (iron rod), North 84 degrees 28 minutes 00 seconds West 290.70 feet (iron rod), South 05 degrees 32 minutes 00 seconds West 375.00 feet to an iron rod in the north margin of East College Street; thence with

11:20 A.M.

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PROPERTY ADDRESS: EAST COLLEGE STREET, PULASKI, TN 38478

July 31, 2018 11:20 A.M.

AFFIDAVIT

STATE OF TENNESSEE	
COUNTY OF	
NAME OF FACILITY: Meadowbrook Health	& Rehabilitation Center, Inc. (CN1807-031)
I, Christopher C. Puri after first being	
applicant named in this Certificate of Need a	-
have reviewed all of the supplemental information accurate, and complete.	anon suprimited herewith, and that it is true,
accurate, and complete.	Christylau Cheei Signature/Title
Sworn to and subscribed before me, a Notary Puwitness my hand at office in the County of	whic, this the 31 st day of July, 20 18, 20 id sum, State of Tennessee.
My commission expires Lipt 7	NOTARY PUBLIC GLAWS WILL STATE
HF-0043	OF TENNESSEE NOTARY
Revised 7/02	PUBLIC SEATOR ON CONTRACTOR EXPIRES